Disciplinary and Other FINRA Actions

Reported for February 2011

FINRA has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

Firms Fined

Barclays Capital Inc. (CRD® #19714, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $42,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that, under its main market participant identifier (MPID), it transmitted reports to the Order Audit Trail System (OATS™) that contained inaccurate, incomplete or improperly formatted data. The findings stated that the firm failed to submit required Route Reports, failed to submit required Cancel/Replace Reports, submitted a Cancel/Replace Report with the incorrect quantity, submitted an unnecessary Combined Order/Execution Report, failed to submit an OATS report, submitted a duplicate Execution Report and submitted an extraneous Desk Report. The findings also stated that the firm failed to provide written notification disclosing to its customer the correct capacity or all capacities in which it served when filling customer orders; and in some instances, it incorrectly disclosed its compensation type as "commission" when acting in a principal or riskless principal capacity. The findings further stated that the firm failed to properly mark principal short sales as "short"; in one instance, the firm failed to properly mark a principal long sale as "long"; failed to show the terms and conditions (held vs. not held) on its brokerage order memoranda; and failed to record accurate long or short order marking on the brokerage order memorandum. The findings also included that the firm made available a report on the covered orders in national market system securities that it received for execution from any person that included incorrect information as to the number of total covered orders.

FINRA® found that, under an alternative MPID, the firm made available a report on the covered orders in national market system securities that it received for execution from any person that included incorrect information as to total covered orders, total covered shares and total canceled shares. FINRA also found that, under the alternative MPID, the firm made available a report on the covered orders in national market system securities that it received for execution from any person that included incorrect information as to total covered orders, total covered shares and total canceled shares. In addition, FINRA determined that, under the alternative MPID, the firm failed to report to the FINRA/NASDAQ Trade Reporting Facility (FNTRF) the correct symbol indicating the capacity in which it executed transactions in reportable securities and the correct symbol indicating whether the transaction was a buy, sell or cross in a last sale report of a transaction in a reportable security. **(FINRA Case #2009016999401)**

Bathgate Capital Partners LLC nka GVC Capital LLC (CRD #38923, Greenwood Village, Colorado) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $13,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it acted as a placement agent in a private investment in public equity (PIPE) offering under Regulation D of the Securities Act of 1933 by a company whose securities were quoted on the Over-the-Counter Bulletin Board (OTCBB™). The findings stated that the firm distributed to customers via email an executive summary the company prepared that failed to contain any discussion of the risks associated with investing in the company and failed to disclose that the company's current audited financial statements said that the company's history of losses raised substantial doubt concerning its ability to continue as a going concern, that the company had an accumulated deficit of $85,413,000, that it had never made a profit, that its business was dependent on sales of a single product or product line, and that its losses totaled more than its revenues for a couple of years. The findings also stated that the firm's communications were not based on principles of fair dealing and good faith, were not fair and balanced, and did not provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry or service. The findings also included that, in its email communications with its customers, the firm omitted material facts or qualifications that, in light of the context of the material presented, caused the communications to be misleading, predicted or projected performance, and made exaggerated or unwarranted claims, opinions or forecasts about the company. **(FINRA Case #2008013353801)**

BNP Paribas Securities Corp. (CRD #15794, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $650,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish and maintain adequate systems and procedures in order to manage certain risks at its listed options trading and stock loan desks. The findings stated that the firm had inadequate systems and procedures to review and assess the risk of valuations of certain manually marked positions in trading accounts of the Listed Option Desk (LO Desk), and it failed to properly review and assess the risk associated with a trade made by the Stock Loan and Borrow Desk (SLAB). The findings also stated that the firm did not make any independent valuation or verification of the valuations, or assess the risks associated with these valuations, and the firm failed to have any system or procedure for tracking and assessing the risk of loss to the firm from SLAB arbitrage trades. The findings also included that the firm failed to have an adequate system in place to independently verify the marks made by individual traders on the LO Desk and other desks who had been authorized to manually mark their books; because of these supervisory failures, the firm created records reflecting the inaccurate values of certain positions in the LO Desk's trading account and was unaware of losses in excess of $18 million on the LO Desk incurred due to inaccurate marks.

FINRA found that the firm further failed to limit, monitor or track risk associated with arbitrage trades the SLAB Desk made, and it did not anticipate a loss of approximately €3.4 million occasioned by a single SLAB arbitrage trade. FINRA also found that the failures relating to the LO Desk also caused certain of the firm's books and records to be inaccurate. Moreover, the findings stated that when the firm filed the Uniform Termination Notice for Securities Industry Registration (Form U5) for the trader responsible for the inaccurate marks on the LO Desk, it incorrectly indicated that the trader's termination was "voluntary" when, in fact, the trader was "permitted to resign." Furthermore, the findings stated that the firm further incorrectly indicated, in response to a disclosure question, that the trader was not under internal review at the time of his termination when, in fact, he had been under such review. The findings also stated that in determining the appropriate sanctions in this matter, FINRA took into account that the firm self-reported the inaccurate Form U5 filing to FINRA and provided substantial assistance to FINRA staff in investigating the circumstances that gave rise to the mismarking and the filing of the inaccurate Form U5. **(FINRA Case #2008013504201)**

Cadaret, Grant & Co., Inc. (CRD #10641, Syracuse, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $125,000 and required to provide remediation to customers who purchased unit investment trusts (UITs) and qualified for, but did not receive, the applicable sales charge discount, and to correct its UIT systems and procedures. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to provide eligible customers with appropriate discounts on both UIT rollover and breakpoint purchases, which led to the firm overcharging certain customers. The findings stated that the firm failed to establish an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases, did not have written policies or procedures that addressed UITs or informed registered representatives, trading personnel or supervisors about the sales charge discounts associated with UITs. The findings also included that the firm relied on its trading desk to ensure that clients purchasing UITs received appropriate sales charge discounts, despite the fact that the firm failed to adequately train and inform trading personnel, and their supervisors, about such discounts.

FINRA found that the firm had no supervisory review to determine whether trading personnel were providing customers with appropriate sales charge discounts, either through periodic review or exception reports. FINRA also found that the UIT trading desk had been misinterpreting certain rollover provisions described in UIT prospectuses; the trading desk only provided firm customers with a sales charge discount when proceeds from the termination of an existing UIT investment were invested in a new UIT, and the trading desk did not consider or apply a sales charge discount to UIT purchases funded with the proceeds from UIT redemptions, a discount these transactions were entitled to from the sponsors of most UITs the firm sold. In addition, FINRA determined that the trading desk was unaware that some UITs offered breakpoints beginning at the $25,000 investment

level, and the firm did not consider customer UIT purchases at $25,000 to be eligible for a volume discount. Moreover, FINRA found that the firm did not provide adequate guidelines, instructions, policies or steps for brokers, trading personnel or supervisors to follow to determine if a customer's UIT purchase qualified for, and received a sales charge discount. Furthermore, FINRA found that the firm sold UITs that imposed a deferred sales charge that was generally charged upon redemption, if a customer sold a UIT before the deferred sales charges were imposed. The findings also stated that in those UIT confirmations the UIT sponsor did not issue directly, the firm failed to ensure that customers' UIT purchase confirmations included the required legend that stated, "On selling your shares, you may pay a sales charge. For the charge and other fees, see the prospectus." **(FINRA Case #2008015701101)**

Cantor Fitzgerald & Co. (CRD #134, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $45,000 and required to revise its written supervisory procedures regarding sales transactions, best execution, entering quotes into multiple real-time quotation systems and the Sub-Penny Rule. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Reportable Order Events (ROEs) to OATS that OATS rejected for context or syntax errors and were repairable, however the firm failed to repair many of the rejected ROEs, so they were not transmitted to OATS. The findings stated that the firm transmitted reports to OATS that omitted accurate share quantities and desk route information; contained inaccurate exception codes and inaccurate timestamps; omitted special handling instructions and a required desk report; contained inaccurate desk and cancel/replace reports, inaccurate timestamps and inaccurate special handling codes; and omitted a special handling code. The findings also stated that the firm failed to transmit data to OATS for one order. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning sales transactions, best execution, entering quotes into multiple real-time quotation systems and the Sub-Penny Rule. **(FINRA Case #2008012332902)**

Chapin, Davis (CRD #28116, Baltimore, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $50,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to develop and implement a reasonably designed anti-money laundering compliance program (AMLCP). The findings stated that the firm's written procedures, which contained information primarily relating to customer identification procedures, offered little or no guidance on how to comply with most requirements of the Bank Secrecy Act. The findings also stated that in particular, the written procedures contained no provisions on conducting customer due diligence and enhanced due diligence, and insufficient guidance on responding to, and properly documenting responses to, information requests the United States Department of Treasury's Financial Crimes Enforcement Network (FinCEN) issued pursuant to Section 314(a) of the U.S.A. PATRIOT Act.

The findings also included that the written procedures did not address how to monitor for and report suspicious activity, and the firm failed to conduct an adequate independent test of its AMLCP.

FINRA found that the testing, which an independent auditor performed, was deficient by failing to test the firm's implementation of a suspicious activity report (SAR) surveillance program, AML training program and Bank Secrecy Act requirements, including customer identification procedures. FINRA also found that the firm failed to establish, maintain and/or enforce a supervisory system and written procedures reasonably designed to record and supervise private securities transactions, and failed to record such transactions. In addition, FINRA determined that the firm failed to make and keep current all account forms in compliance with Securities Exchange Act Rule 17a-3(17), and NASD® Rules 3110(a) and (c). **(FINRA Case #2010021065701)**

Chase Investment Services, Inc. (CRD #25574, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $100,000 and required to provide remediation to customers who purchased UITs and qualified for, but did not receive, the applicable sales charge discount. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to establish, maintain and enforce an effective supervisory system and written supervisory procedures reasonably designed to ensure that discounts were correctly applied on eligible UIT purchases. The findings stated that the firm relied primarily on it brokers to ensure that customers received appropriate UIT sales charge discounts, despite the fact that the firm failed to appropriately inform and train brokers and their supervisors about such discounts. The findings also stated that the firm's trading desk procedures stated that the registered representative had a responsibility to ensure clients received breakpoints, gave limited guidance on rollovers and made no mention of exchanges; there were no written procedures for supervisors concerning UIT sales charge discounts. The findings also included that the firm's procedures lacked substantive guidance, instructions, policies or steps for brokers, trading personnel or supervisors to follow to determine if a customer's UIT purchase qualified for, and received a sales charge discount.

FINRA found that the firm sold UITs that imposed a deferred sales charge; this deferred sales charge was generally charged upon redemption if a customer sold a UIT before the deferred sales charges were imposed. Moreover, FINRA found that the firm failed to ensure that its customers' UIT purchase confirmations included the required legend that stated, "On selling your shares, you many pay a sales charge. For the charge and other fees, see the prospectus." **(FINRA Case #2008015700701)**

CIBC World Markets Corp. (CRD #630, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report ROEs to OATS; transmitted Route

or Combined Order/Route Reports to OATS that the OATS system was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data; transmitted Execution or Combined Order/Execution Reports to OATS that the OATS system was unable to link to the related trade reports in an NASD trade reporting system due to inaccurate, incomplete or improperly formatted data; transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the corresponding new order the destination member firm transmitted due to inaccurate, incomplete or improperly formatted data; and transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order. **(FINRA Case #2008012767101)**

CIBC World Markets Corp. (CRD #630, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $80,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it began posting Canadian sovereign debt with the Options Clearing Corp. (OCC) as collateral; the firm treated these securities as debt balances in its required reserve formula computations, but they were not qualified securities pursuant to Securities and Exchange Commission (SEC) Rule 15c3-3 and should not have been included. The findings stated that after FINRA advised the firm of its computation error, the firm recalculated various prior reserve formula computations and excluded from debits amounts related to the non-qualified securities, and identified hindsight deficiencies relating to computations, in that its review disclosed that the reserve bank account had not been properly funded and the firm notified the SEC of these hindsight deficiencies. The findings also stated that the firm made non-bona fide deposits to its reserve bank account because it used cash withdrawals from an account at another bank to meet its SEC Rule 15c3-3 Reserve Bank Account deposit requirement, and the firm did not have the required written acknowledgement from the other bank. The findings also included that some of the hindsight deficiencies occurred in connection with a month-end reserve formula computation reported in its Financial & Operational Combined Uniform Single (FOCUS™) report filing; thus, the firm filed FOCUS reports that contained inaccurate reserve formula computations. **(FINRA Case #2009018909401)**

Couch Financial Services, Inc. (CRD #130559, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to comply with the requirements of SEC Rule 15c3-1 in that it used the mails or other means or instrumentalities of interstate commerce to effect transactions in securities, while failing to maintain its minimum required net capital requirement. The findings stated that the deficiency resulted from the firm's failure to classify certain withdrawals as temporary loans and to treat salaries paid to employees as expenses; as a result, the firm failed to prepare an accurate net capital computation. **(FINRA Case #2008012728201)**

CRT Capital Group LLC (CRD #28830, Stamford, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in Trade Reporting and Compliance Engine™ (TRACE™)-eligible securities to TRACE within 15 minutes of execution time. The findings stated that the firm failed to report the correct time of trade execution for transactions in TRACE-eligible securities to TRACE, and failed to show the correct execution time on brokerage order memoranda. **(FINRA Case #2009020242701)**

E*Trade Capital Markets LLC (CRD #111528, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $52,500, ordered to pay $2,132.10, plus interest, in restitution to customers, and ordered to revise its written supervisory procedures regarding trade reporting, short sales and OATS. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in transactions for or with a customer, it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions. The findings stated that the firm transmitted Route or Combined Order/ Route Reports to OATS and the OATS system was unable to link all of the match-eligible reports to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data. The findings also stated that the firm failed to report last sale reports of odd-lot transactions in designated securities for publication to the FNTRF. The findings also included that the firm transmitted reports to OATS that included incorrect account and member type codes.

FINRA found that the firm's supervisory system for its market making desk did not provide for supervision reasonably designed to achieve compliance with trade reporting (trades reported on the firm's behalf) and the firm's supervisory system for its proprietary trading desk did not provide for supervision reasonably designed to achieve compliance with short sales and OATS. FINRA also found that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning trade reporting for its market making desk. **(FINRA Case #2007008351901)**

First Southwest Company (CRD #316, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $35,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it filed a FOCUS report that was inaccurate with respect to its customer reserve formula computation. The findings stated that margin debits in customer accounts were collateralized by control stocks and as a result, the debit balances were deemed to be unsecured and should have been excluded from the firm's customer reserve formula and treated as non-allowable assets. The findings also stated that the firm overstated its customer reserve formula debits and its net capital by $4,712,534. **(FINRA Case #2010021639201)**

Gates Capital Corporation (CRD #29582, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct contra-party's identifier for transactions in TRACE-eligible securities to TRACE. The findings stated that the firm failed to report accurate information for transactions in TRACE-eligible securities to TRACE, and reported transactions in TRACE-eligible securities to TRACE that it was not required to report. **(FINRA Case #2009016816301)**

HSBC Securities (USA) Inc. (CRD #19585, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $30,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct contra-party's identifier for transactions in TRACE-eligible securities to TRACE, in that the firm inaccurately reported inter-dealer transactions as customer transactions. The findings stated that the firm failed to report transactions in TRACE-eligible securities to TRACE that it was required to report, and failed to report numerous transactions in TRACE-eligible securities to TRACE within 15 minutes of the execution time. **(FINRA Case #2009019187301)**

InterSecurities, Inc. nka Transamerica Financial Advisors, Inc. (CRD #16164, St. Petersburg, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was fined $50,000 and required to certify to FINRA that it has reviewed it policies, systems and procedures concerning how it determines whether new products are securities, and has determined that they are reasonably designed to achieve compliance with FINRA rules and federal securities laws, and at the same time it provides this certification, it shall provide a written description of the policies, systems and procedures that are the subject of the certification. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it allowed its registered representatives to recommend a "Stock to Cash" program, under which customers would pledge stock to obtain loans that were in some instances used to purchase other products, primarily fixed or indexed annuities, marketing it as a non-securities product, but did not monitor use of the Stock to Cash program or otherwise inquire into the program's activities. The findings stated that at the time the Stock to Cash program first came to the firm's attention, the firm erroneously concluded that the Stock to Cash program was not a securities product, and therefore did not need to be approved; the firm's registered representatives utilized the Stock to Cash program with their clients, and some firm customers entered into Stock to Cash loans, pledging securities worth more than $4.3 million and borrowing more than $4.1 million. The findings also stated that none of the customers have been deprived of any profits to which they were entitled because almost all of the loans that have come due to date were secured by stocks that lost money during the loan period. The findings also included that neither representatives nor management at the firm conducted adequate due diligence into the Stock to Cash program prior to recommending that customers use it, and the representatives never ascertained how

the pledge stock would be used and incorrectly concluded that customers would retain complete ownership interest over the stock or that the stock was held by an "investment-grade" third party with a right of recourse by the client if the holder went out of business.

FINRA found that the firm failed to undertake efforts to look into the lender's financial condition, upon which customers were depending for the return of their securities or payment of their profits, and the firm never spoke with anyone associated with the lender, and never learned what the lender actually did with the stock. FINRA found that, as a result, the registered representatives did not understand the potential risk inherent in the Stock to Cash program, and conveyed inaccurate and misleading information to their customers. FINRA also found that the firm allowed its registered representatives to recommend the program to customers, but failed to supervise their activities in connection with the program. **(FINRA Case #2007008935008)**

KDC Merger Arbitrage Fund, LP (CRD #10019, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $82,500, which includes disgorgement of $33,300 in profits realized in connection with the loans the firm made while not in compliance with SEC Regulation SHO. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it mismarked a short sale as a long sale; failed to timely deliver on its sale of a threshold security, which sale was marked long, on or before the settlement date of the trade; and failed to deliver position in a threshold security for 13 consecutive settlement dates and failed to immediately thereafter close out the fail to deliver position. The findings also stated that despite having enough shares available to close out its own fail, the firm loaned shares, in a series of short-term loans, to other firms, generating a profit for the firm of approximately $33,300. The findings also included that the firm's written supervisory procedures failed to address compliance with Regulation SHO.

FINRA found that the firm's written supervisory procedures had been prepared prior to Regulation SHO; although these procedures were in effect, they had not been updated to reflect Regulation SHO requirements. FINRA also found that the firm's procedures contained, among other things, pages on trading procedures, including paragraphs on short sales and one paragraph stating that the firm would make an affirmative determination that it would be able to provide delivery of the subject security before the firm would effect any short sale; however, there was no mention in these procedures of the firm's responsibilities with respect to Regulation SHO and threshold securities. **(FINRA Case #2007008813501)**

LPL Financial Corporation, nka LPL Financial LLC (CRD #6413, Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $175,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that despite the rollout of the new Annuity Order Entry (AOE) system and the firm's attestation to FINRA that it had implemented

the rollout, the firm failed to enforce the mandatory usage of the AOE system until a later date. The findings stated that the firm had entered into an AWC relating to its failure to reasonably supervise its variable annuity exchange business. The findings also stated that in the AWC, FINRA found that the firm had inadequate automated systems and written procedures for variable annuity exchanges reported on the electronic branch trade report system (eBTR). The findings also included that at the time the firm entered into the AWC, it was in the process of upgrading its centralized online order-entry system to switch from the eBTR to the AOE in order to enhance the firm's overall review of variable annuity exchange transactions.

FINRA found that as part of the AWC, FINRA required that the firm retain an independent consultant to review and make recommendations regarding the AOE system and the firm's procedures to reasonably ensure that the firm complied with federal securities laws and NASD rules relating to the exchange of variable annuities. FINRA also found that the firm attested to FINRA that it had implemented the rollout of the new AOE system and when the rollout was completed, the firm amended its written supervisory procedures to make the use of the AOE system mandatory, with minor exceptions, for all registered representatives who engaged in variable annuity exchange transactions. In addition, FINRA determined that the firm failed to enforce the mandatory usage of the AOE system and, as a result, the firm's registered representatives entered orders for approximately 15 percent of the firm's variable annuity exchange transactions using the eBTR system instead of the AOE system. Moreover, FINRA found that by failing to enforce the mandatory use of the AOE system, the firm failed to enforce its written supervisory procedures relating to variable annuity exchange transactions. **(FINRA Case #2009017682701)**

Merlin Securities, LLC (CRD #133068, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit numerous ROEs to OATS. The findings stated that the firm began using an additional clearing firm and the firm's reporting agent failed to report ROEs for transactions placed through a legacy order management system rather than the additional clearing firm's order management system. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting by third parties. **(FINRA Case #2008014790301)**

MBSC Securities Corporation (CRD #231, New York, New York), BNY Mellon Capital Markets LLC (CRD #17454, New York, New York), and BNY Mellon Securities LLC (CRD #47268, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firms were censured and fined $300,000, jointly and severally. Without admitting or denying the findings, the firms consented to the described sanctions and to the entry of findings that they failed to ensure that emails were retained and timely reviewed. The findings stated that the firms, all subsidiaries of the same parent company, implemented a new, third

party system for email archiving and review. The findings also stated that in order for the emails to be archived consistent with the requirements of SEC Rule 17a-4 and NASD Rule 3110, the firms relied on their personnel to properly code new and existing email accounts to ensure that emails were journaled from users' email accounts in the new system, and when email accounts were incorrectly coded, the affected users' emails were not retained consistent with SEC and NASD rules. The findings also included that instead, both sent and received emails were retained for 30 days, unless an individual employee double-deleted the email (in which case it would not have been retained at all); after 30 days, any emails remaining in an individual employee's email inbox or outbox would be retained for an additional 30 days; and all emails would be deleted from the new system after 60 days (unless the auto-delete function was disabled), and additionally, would not have appeared in the new system for compliance department reviews, unless an email user whose account was properly coded sent or received the email message.

FINRA found that the firms did not properly code certain email accounts and did not have written guidance to ensure that all email accounts for associated persons of each firm were properly recorded, nor did the firms have evidence that they conducted any testing of the new system to ensure that email accounts were being set up properly to capture emails for compliance with SEC Rule 17a-4 and NASD Rule 3110. FINRA also found that as a result of the failure to retain emails, the firms also failed to timely review emails of affected users. In addition, FINRA determined that the failure to properly archive and review emails was discovered after a MBSC Securities Corporation compliance department employee searched for an electronic copy of an email he knew to have existed, and failed to locate it; prior to that event, the firms did not know that they were failing to properly archive and review emails. Moreover, FINRA found that following the discovery of the retention and review problem at the firms, the firms' parent company retained an outside consultant to assess the scope of the retention failure, and the outside consultant determined that there were 725 affected users between the three firms, for whom emails were not retained consistent with SEC and NASD rules. Furthermore, FINRA found that the outside consultant estimated that the three firms may have lost as many as 4 million emails through the failure to properly code email accounts for journaling to the new system. The findings also stated that in determining the appropriate sanctions in this matter, FINRA took into consideration that the firms self-reported to FINRA their failure to review and retain certain emails and the steps the firms took to remedy those deficiencies. **(FINRA Case #2010021312001)**

Pinnacle Financial Group, LLC (CRD #131674, Orlando, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. In light of the firm's financial status, a lower fine was imposed. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to preserve all of its business-related electronic communications. The findings stated that the firm used an external server to preserve its business-related electronic communications but the server only preserved the firm's business-related electronic communications for a period of 30 days. The findings also stated that the firm conducted

a securities business while it failed to maintain its required minimum net capital. The findings also included that the net capital deficiencies stemmed from its failure to take security haircuts and undue concentration deductions, its improper classification of a note receivable as an allowable asset, its improper classification of fixed annuity commissions and private placement receivables as allowable assets and double-counting a commission receivable. FINRA found that the firm maintained inaccurate books and records, and also filed inaccurate FOCUS reports. **(FINRA Case #2009015974501)**

PTI Securities & Futures L.P. (CRD #29275, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $15,000 and required to revise its written supervisory procedures concerning OATS reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS on numerous business days; the ROEs were erroneously entered under the firm's clearing firm MPID instead of the firm's MPID. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting. **(FINRA Case #2008015021901)**

Resource Horizons Group LLC (CRD #104368, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it approved advertising materials registered representatives used during several public seminars; the firm sent invitations to members of the public, and the seminar attendees received supplemental materials designed to introduce the firm and the financial services it offered. The findings stated that the invitations failed to provide a sound basis for evaluating the facts regarding the products or services offered. The findings also stated that the supplemental materials contained exaggerated and unwarranted language, and the seminar handout had unwarranted language. The findings also included that seminar presentations failed to explain a product or strategy, discussion of equity-indexed annuities (EIAs) failed to provide a balanced presentation and omitted information, discussion of variable annuities omitted material information, presentations failed to disclose that projections are hypothetical and are not guarantees, failed to disclose risks attendant with options transactions, failed to disclose risks and rewards of real estate investment trusts (REITs) in a balanced way, discussion of expenses pertaining to mutual funds and variable annuities was misleading; discussion of annuities in Individual Retirement Accounts (IRAs) was misleading, list of benefits and features of variable annuities failed to disclose potential restrictions and costs, discussion of 1031 exchanges failed to elaborate on Internal Revenue Code restrictions, discussion of variable annuities provided an incomplete, and oversimplified presentation and representation that safety and protection are provided by diversification market index certificates of deposit, puts, and living benefits profits provided by variable annuities was promissory and exaggerated.

FINRA found that the firm failed to reasonably supervise its communications with the public and its supervision was not reasonably designed to meet the requirements of FINRA Rule 2210(b)(2). FINRA also found that the firm's procedures required the supervisory principal to evidence approval by signing public communications submitted for approval and use, but the supervisory principal only initialed a coversheet that did not identify which communication was approved. In addition, FINRA determined that the firm failed to maintain records naming the registered principal who approved the public communication or the date approval was given, nor documentation establishing that a certified registered options principal approved options material or that the material had been properly submitted to FINRA's Advertising Regulation Department for pre-approval. **(FINRA Case #2009017637201)**

Robert W. Baird & Co. Incorporated (CRD #8158, Milwaukee, Wisconsin) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the corresponding new order transmitted by the destination firm due to inaccurate, incomplete or improperly formatted data; and transmitted reports to OATS that contained inaccurate account type codes. The findings stated that the firm failed, within 90 seconds after execution, to transmit last sale reports of transactions in designated securities to the FNTRF, and failed to designate some of them as late. The findings also stated that the firm failed to report the correct execution time for transactions in reportable securities to the FNTRF. **(FINRA Case #2008013556401)**

Shareholders Service Group, Inc. (CRD #125226, San Diego, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined $12,500 and required to revise its written supervisory procedures regarding TRACE. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of execution time, and failed to report the correct time of trade execution for transactions in TRACE-eligible securities to TRACE. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with securities laws, regulations and FINRA rules concerning TRACE. **(FINRA Case #2009017165001)**

UBS Securities LLC (CRD #7654, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $600,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to reasonably supervise a junior trader on its Fixed Income Emerging Markets Latin American desk (the LatAm desk) who, by various means, made false and inaccurate entries into the firm's trading systems for non-deliverable forward (NDF) transactions and bond transactions, which caused incorrect calculations of his risk positions and profit and loss (P&L), overstating his profits and understating his losses; in contrast

to other traders on the LatAm desk, the firm gave the junior trader authority to enter NDF transactions directly into internal trading systems. The findings stated that, in each instance, the junior trader's presumed goal was to conceal an unrealized loss associated with an actual transaction and/or create the appearance of a fictitious profit in connection with both actual and fictitious transactions, and by manipulating these trading systems, the junior trader was able to make undetected amended, late, mispriced and fictitious NDF transactions by which he concealed more than $28 million in trading losses. The findings also stated that the firm's existing policies and procedures did not adequately address the junior trader's ability to make entries directly into the trading systems; the firm's electronic supervisory system did not capture NDF trade data, and the firm failed to establish supervisory systems or procedures to reasonably ensure that the junior trader's entries were complete and accurate and that his trading system entries matched. The findings also included that the firm likewise failed to establish policies and procedures providing for its creation and maintenance of required books and records of NDF transactions entered for its account, and failed to have written supervisory procedures, for the amending, settling and confirming of NDF transactions.

FINRA found that the junior trader concealed losses to the firm of approximately $700,000 through various false entries made in the firm's Bloomberg system, and the firm's electronic supervisory system did not capture his bond data. FINRA also found that the firm failed to provide the junior trader's supervisor with reports concerning the junior trader's trading in NDF and certain bonds that were necessary to supervise the junior trader's activities, and it failed to make and keep current a memorandum of each NDF transaction the junior trader entered. Moreover, FINRA found that the findings stated that based on false, delayed and fictitious entries the junior trader made in connection to his NDF and certain bond transactions, the firm's records of his and the LatAm Desk's overall P&L and corresponding risk positions were not accurate. Furthermore, FINRA found that when the issues concerning the junior trader's trading came to light, the firm conducted an internal investigation to identify the errant bond and NDF transactions and calculate the losses incurred in connection with them; thereafter, the firm instituted remedial measures to prevent a recurrence in the future. **(FINRA Case #2010022093601)**

Wells Fargo Advisors, LLC (CRD #19616, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined $12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct yield to the Real-time Transaction Reporting System (RTRS) in reports of transactions in municipal securities and failed to provide written notification disclosing to its customers the correct lowest effected yield in these municipal securities transactions. **(FINRA Case #2008015589701)**

Individuals Barred or Suspended

Andrew Keith Ackerlund (CRD #2201801, Registered Representative, Hillsboro, Oregon) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for eight months. The fine must be paid either immediately upon Ackerlund's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Ackerlund consented to the described sanctions and to the entry of findings that he entered mutual fund exchanges in customer accounts without the customers' written authorization to exercise discretion in their accounts prior to entering the specific trades, and without his member firm's acceptance of the accounts as discretionary. The findings stated that Ackerlund did have a verbal arrangement with the customers that he could enter trades in their accounts, without receiving the customers' prior express authorization for the specific trade, based on contemporaneous market conditions; Ackerlund decided to enter these mutual fund exchanges without the customers' express authorization because he was concerned about market volatility at the time. The findings also stated that the firm's written supervisory procedures specifically prohibited registered representatives from exercising discretion in customer accounts, regardless of whether such an arrangement was in writing. The findings also included that Ackerlund engaged in unauthorized trading in the customer accounts without prior written or verbal customer authorization, and those customers complained to the firm in writing that the trades made in their accounts were not authorized.

The suspension is in effect from December 20, 2010, through August 19, 2011. **(FINRA Case #2008015731901)**

Todd Austin (CRD #5262341, Registered Principal, Scarborough, Ontario, Canada) was barred from association with any FINRA member in any capacity for willfully filing misleading and inaccurate amendments to his Uniform Application for Securities Industry Registration or Transfer (Form U4). The findings stated that Austin informed his member firm of the information but materially misrepresented the nature of and factual circumstances surrounding the material information. The findings also stated that Austin altered a document and submitted the false document to FINRA and his firm. **(FINRA Case #2008014753601)**

Jason Leekarl Beckett (CRD #3186927, Registered Representative, West Columbia, South Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon Beckett's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Beckett consented to the described sanctions and to the

entry of findings that he submitted an advertisement to a local newspaper, which listed an entity he owned as offering certain investments, including certificates of deposit (CDs) and fixed annuities, and that he did not submit the advertisement to his member firm for review and approval; moreover, the advertisement content included misleading statements regarding the offered investments. The findings stated that Beckett maintained a website for an entity he owned, which was accessible to the investing public, and he failed to submit the website material to his firm for review until a later date. The findings also stated that Beckett failed to obtain his firm's written approval of the website content prior to its use. The findings also included that Beckett completed an annual certification, which he provided to his firm and he answered "no" to the question asking whether he anticipated using any type of electronic communication systems such as the Internet for soliciting business.

The suspension is in effect from January 18, 2011, through March 17, 2011. **(FINRA Case #2009016600001)**

Brian Thomas Beldyk (CRD #2035064, Registered Representative, Kennett Square, Pennsylvania) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Beldyk misappropriated over $462,000 from customers and converted the funds for his own use. The findings stated that either Beldyk or his member firm has fully compensated all of Beldyk's customers for their losses. The findings also stated that Beldyk created and provided false account statements to a customer's authorized representative to cover up his malfeasance, and failed to respond to FINRA requests for information. **(FINRA Case #2009020090301)**

Dennis O'Neal Blackstone (CRD #1517755, Registered Principal, Arlington, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Blackstone consented to the described sanction and to the entry of findings that, as the registered representative on the joint securities account of customers at his member firm, he created a false Letter of Authorization (LOA), without the customers' knowledge or authorization, and forged their signatures to authorize a transfer of funds from their joint account at the firm to a bank account that Blackstone controlled. The findings stated that based on the forged LOA, the firm wired $28,320 from the customers' joint account to the bank account Blackstone controlled and, after receiving the funds in his bank account, Blackstone used the funds for his personal expenses. **(FINRA Case #2009020488001)**

Peter Joseph Bonnell III (CRD #1213039, Registered Principal, Medina, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $35,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Bonnell's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings,

Bonnell consented to the described sanctions and to the entry of findings that he engaged in an outside business activity involving a company he owned and operated, which was a marketing and advertising business through which he sought to generate leads for registered representatives and insurance agents. The findings stated that the company's primary form of marketing was mass mailings, usually employing postcards that contained false and misleading statements that Bonnell sent and caused to be sent to thousands of prospective customers. The findings also stated that Bonnell developed and directed the use of multiple false and misleading telephone operator scripts that were used in the company's call center to respond to potential investors. The findings also included that, as a result of the misleading marketing practices involving his company, Bonnell became the subject of several state regulatory actions and willfully failed to timely amend his Form U4 to disclose these actions to FINRA as required.

FINRA found that Bonnell associated with a FINRA registered member firm and acted in a registered capacity while he was subject to statutory disqualification. FINRA also found that Bonnell provided false information, failed to disclose material information, and misrepresented material information on the firm's annual compliance questionnaires concerning his outside business activity and regulatory actions. In addition, FINRA determined that Bonnell failed to provide prompt and complete written notice to the firm of his outside business activities involving another insurance marketing firm he operated after closing the other company. Moreover, FINRA found that Bonnell failed to adequately supervise certain representatives to ensure they filed accurate and timely updates disclosing state regulatory actions and outside business activity.

The suspension is in effect from January 18, 2011, through January 17, 2013. **(FINRA Case #2007009073001)**

Gregory James Buchholz (CRD #1864780, Registered Representative, Bridgewater, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Buchholz consented to the described sanction and to the entry of findings that he misappropriated approximately $1,350,000 from customers, a number of whom were retirees, by liquidating their variable annuities and/or mutual funds and then transferring the proceeds to his personal bank account, converting the proceeds for his own use and benefit. The findings stated that as part of this scheme, Buchholz falsely and fraudulently represented, at times by forging customer signatures on redemption documents, that certain customers had authorized the redemption of the securities in order to obtain the proceeds of the sale; fraudulently induced certain customers to authorize the redemption of securities, based on misrepresentations that the proceeds would be reinvested to the customers' investment accounts; and caused checks to be drawn in the customers' names and caused the checks to be sent directly either to his office or to the customers. The findings also stated that if the checks were sent directly to the customers, Buchholz convinced those clients to turn the checks over to him, making false and fraudulent

representations that he would deposit the funds in their securities accounts to be reinvested; however, he did not reinvest the proceeds but instead deposited the checks into his personal bank accounts and used the proceeds for his own purpose. The findings also included that if the checks were sent directly to his office, Buchholz simply deposited the checks in his own bank accounts for his personal use and sometimes forged the customers' signatures in order to cash the checks. **(FINRA Case #2010023931401)**

Cynthia Ann Bulinski (CRD #1851735, Registered Representative, Annapolis, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Bulinski consented to the described sanction and to the entry of findings that she made unsuitable recommendations to her elderly clients to purchase variable annuities. The findings stated that Bulinski repeatedly failed to tailor her recommendations to meet her customers' individual investment needs, and instead recommended the same variable annuity to her customers, irrespective of age, investment experience, liquidity needs, financial situation and risk tolerance. The findings also stated that Bulinski recommended elderly customers to purchase the same variable annuity with an enhanced death benefit rider, but demonstrated that she did not have reasonable basis for her recommendation because some of the customers were too old to purchase the rider and the rest gained little, if any, benefit from the rider while paying a substantial cost for it. The findings also included that Bulinski recommended unsuitable variable annuities with a rider that was inconsistent with her customers' investment objectives.

FINRA found that in numerous instances, Bulinski demonstrated that she did not understand the variable annuity and inaccurately described the investment to a customer as a fixed annuity rather than a variable annuity, and with other customers, incorrectly stated the surrender period and surrender charges her customers would incur. FINRA also found that Bulinski was the subject of several written customer complaints about her lack of disclosure about surrender charges and other product details. **(FINRA Case #2005002244704)**

Thomas Jones Charles Jr. (CRD #1182923, Registered Representative, Spartanburg, South Carolina) was fined $35,000 and suspended from association with any FINRA member in any capacity for one year. The fine is due and payable upon Charles' return to the securities industry. The sanctions were based on findings that Charles sold variable universal life insurance products to his member firm's customers and after leaving the firm, Charles remained the assigned representative on the accounts and received modest annual "trailing commissions." The findings stated that, subsequently, Charles' former firm asked him to pay a "single appointment" fee of $100 to the firm or submit customer-signed "Telephone or Electronic Transaction Authorization" forms for him to continue to service the customers' accounts. The findings also stated that Charles chose to do neither, but when he realized the deadline was approaching, he signed the customers' names on the authorization forms without the customers' permission and sent them to the firm via

facsimile. The findings also included that one of the customers complained that Charles had not being authorized to sign her name on the authorization form; therefore, Charles' former firm notified Charles and his present firm of the customer's allegation and asked Charles for a written explanation.

FINRA found that during Charles' present firm's investigation into the complaint, he made misstatements, verbally and in writing, to the firm, denying forging the signatures and fabricating a story to prevent the firm from discovering his misconduct. FINRA also found that Charles subsequently admitted to the firm that his alibi was false and that he signed the customers' names without authorization.

The suspension is in effect from January 3, 2011, through January 2, 2012. **(FINRA Case #2008016036901)**

Derek Matthew Christenson (CRD #2285093, Registered Representative, Milford, Ohio) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Christenson converted customer funds by transferring $66,000 in several transactions from a bank customer's saving account into several of his personal checking accounts, without the customer's knowledge. The findings stated that Christenson failed to respond to FINRA requests for information. (**FINRA Case #2009019406701)**

Patrick Cissne (CRD #5011472, Registered Representative, Huntingdon Valley, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Cissne's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Cissne consented to the described sanctions and to the entry of findings that certain states implemented a long-term care (LTC) continuing education (CE) requirement that obligated financial advisors to complete a LTC CE course and exam before selling LTC products to customers who resided in that state. The findings stated that to assist financial advisors with the LTC CE requirement, Cissne requested and received the answers for one state exam from member firm representatives, distributed the answers to the exam to other firm representatives and distributed the answers to outside financial advisors on several occassions. The findings also included that Cissne received and distributed the answers for another state exam to an outside financial advisor on one occasion.

The suspension was in effect from December 20, 2010, through January 19, 2011. **(FINRA Case #2009021029615)**

Benjamin Harry Cohen (CRD #4349135, Registered Representative, St. Paul, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Cohen consented to the described sanction and to the entry of findings that he violated FINRA's suitability rule by failing to understand or convey to customers the cost of a rider to a variable annuity, pursuant to transactions he recommended to customers. The findings stated that Cohen incorrectly communicated the imposed fee. The findings also stated that Cohen did not understand the risks and rewards inherent in the variable annuity, with the rider feature, which he recommended to the customers. The findings also included that Cohen conducted a trade in a deceased customer's account with a purchase of $4,662 of an entity Class A mutual fund share. FINRA found that Cohen had discussed with this customer purchasing the entity's Class A shares prior to the customer's passing, and he had prepared certain paperwork for the transaction prior to the customer's death, but the purchase had not been made at the time of the customer's death. FINRA also found that Cohen, at the time of the transaction, did not consult with any representative of the deceased customer's estate and also did not notify the firm that the customer had passed away. In addition, FINRA determined that Cohen failed to appear for a FINRA on-the-record interview. **(FINRA Case #2009017087301)**

Richard Lawrence Coskey (CRD #54880, Registered Principal, Bloomfield Hills, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Coskey consented to the described sanction and to the entry of findings that notwithstanding his notice of potential ongoing violations of FINRA rules by a registered representative who worked under his direct supervision, Coskey failed to take any meaningful steps to increase his supervision of the registered representative, restrict his activities, or otherwise prevent his continued harmful mutual fund trading in firm customers' accounts. The findings stated that as a result of Coskey's failure to act, for several months, the registered representative placed trades to buy and sell mutual fund positions in customers' accounts without their prior written authorization and affected mutual fund A-share transactions that generated more than $31,500 in commissions and losses totaling more than $67,000. **(FINRA Case #2009016354001)**

David Crook (CRD #4559400, Registered Representative, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Crook's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Crook consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4.

The suspension is in effect from January 18, 2011, through July 17, 2012. **(FINRA Case #2010021397401)**

Bradley John Delp (CRD #1701698, Registered Representative, Rossfield, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $25,000 and suspended from association with any FINRA member in any capacity for 75 days. The fine must be paid either immediately upon Delp's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Delp consented to the described sanctions and to the entry of findings that he recommended that customers participate in a Stock to Cash program under which customers pledged stock to obtain loans to purchase other products; Delp's customers obtained loans totaling approximately $3.5 million. The findings stated that customers borrowed up to 90 percent of the value of the pledged stock for a short period of time. The findings also stated that the pledged stock would be transferred to the loaning entity's securities account maintained at a clearing firm. The findings further stated that no payments were required during the term of the loan, but customers were required to pay the full principal and interest due at the end of the loan term. The findings included that documentation the loaning entity used made it appear it was retaining the securities pledged and might use them to enter into hedging transactions, but in reality, the customers conveyed full ownership to the entity, which routinely sold the securities upon receipt and often moved the money into its own bank account. The findings also included that the entity became unable to make complete payments to customers with profitable portfolios and used the proceeds from the sale of securities new customers pledged to pay off its obligations to existing customers, and money was also diverted to pay for expenses not related to its operation.

FINRA found that Delp did not take adequate efforts to find out what happened to the stock conveyed to the lender and did not inquire into what would be done with the stock; failed to conduct due diligence into the lender's financial condition but relied on unverified statements the promoter made, and told his clients they could receive their stock back at the end of the loan period. FINRA also found that by failing to verify information about how the stock was held or secured and whether the lender had the ability to fulfill its obligations, Delp did not have a reasonable basis for recommending the Stock to Cash program to his customers and potential customers. In addition, FINRA determined that some of the customers, at Delp's recommendation and with his participation, initially used some or most of the proceeds to buy equity-based mutual funds along with other products in violation of Regulation U restrictions.

The suspension is in effect from January 3, 2011, through March 18, 2011. **(FINRA Case #2007008935005)**

Daniel Michael Doderer (CRD #3039335, Registered Representative, Roselle, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Doderer consented to the described sanctions and to the entry of findings that, in connection with the opening of a new account for an

existing institutional client, Doderer signed the names of officers for that client on sections of a Uniform Application for Investment Advisor Registration (Form ADV), without the signatories' authorization or consent, and added false dates to sections of the Form ADV. The findings stated that when Doderer submitted the Form ADV in connection with the opening of another account for the client, his member firm rejected it because it lacked a manual signature. The findings also stated that rather than obtain the signatures from the institutional client, Doderer signed the name of the client's vice president next to the electronic signature on the domestic investment adviser execution page and state registered investment adviser execution page on the Form ADV, and inserted a false execution date on the execution page. The findings also included that Doderer signed the name of the client's president and inserted a false execution date on the non-resident investment adviser execution page of the Form ADV. FINRA found that Doderer signed the officers' names without their authorization or consent and submitted that Form ADV to the firm.

The suspension is in effect from January 18, 2011, through February 17, 2011. **(FINRA Case #2009020824101)**

John Patrick Donovan (CRD #3184971, Registered Representative, Lebanon, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Donovan consented to the described sanctions and to the entry of findings that he effected the unauthorized sale of shares of a preferred stock from a customer's account without the customer's prior knowledge, authorization or consent. The findings stated that this sale of the stock's position resulted in proceeds of approximately $20,000.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2008016223101)**

Douglas G. Dosenberg (CRD #5631343, Associated Person, Destrehan, Louisiana) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Dosenberg willfully failed to disclose material information on his Form U4 and failed to respond to FINRA requests for information. **(FINRA Case #2009017124601)**

George Edward Dragel (CRD #1718650, Registered Principal, Orland Park, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in a supervisory capacity for two months and required to requalify as a principal prior to becoming associated with a FINRA registered firm in a principal capacity. In light of Dragel's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Dragel consented to the described sanctions and to the entry of findings that a member firm, through Dragel, permitted an unregistered individual to trade in the firm's proprietary account. The findings stated that Dragel was his firm's chief compliance officer, and the firm's written supervisory

procedures specified that he was responsible for the registration and licensure of all firm personnel. The findings also stated that Dragel knew the individual was unregistered while trading but did not require him to become registered with the firm.

The suspension is in effect from January 18, 2011, through March 17, 2011. **(FINRA Case #2008015617901)**

Francis Thomas Duffy (CRD #500206, Registered Principal, Mercerville, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in a financial and operations principal (FINOP) capacity for 10 business days. The fine must be paid either immediately upon Duffy's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Duffy consented to the described sanctions and to the entry of findings that he failed to fully accrue a $325,000 settlement of a customer arbitration claim against the firm as a liability on his member firm's ledgers and other records. The findings stated that Duffy only accrued as liabilities amounts when due under a payment schedule to the settlement agreement, and had not booked $125,000 of the settlement that had not been paid as a liability, which caused his firm's records to be inaccurate. The findings also stated that, as a result of failing to properly and accurately track assets, liabilities and expenses, the firm, while conducting a securities business, and acting through Duffy, failed to maintain its minimum net capital requirement. The findings also included that the deficiencies were primarily attributable to Duffy incorrectly viewing funds from private placements deposited in an escrow account of a separate but related company, as good capital to his firm before the funds were actually legally and physically available to the firm; and while Duffy was aware of past delays in the firm's ability to access funds deposited in escrow, he did not take into account the possibility of delays when estimating the firm's net capital position, and during that time period, was only performing a month-end formal computation of new capital after requisite capital was actually infused.

The suspension was in effect from December 20, 2010, through January 3, 2011. **(FINRA Case #2008013287601)**

Joshua A. Ellis (CRD #5293249, Registered Representative, Philadelphia, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was censured, fined $7,500 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Ellis' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Ellis consented to the described sanctions and to the entry of findings that he signed customers' applications for fixed annuities, as a favor to another registered representative not authorized to sell products a company offered, without

having met with or discussed the fixed annuity product or the points on each application with the customers, or ascertained the product's suitability for each customer as required; thereby his attestations on the annuity applications submitted to his member firm and the insurer were false. The findings stated that the falsified applications were submitted to the firm under Ellis' production number, and the insurer approved the applications and issued annuity contracts based on Ellis' misrepresentations on the applications. The findings also stated that after the falsified annuity applications were discovered, Ellis' firm offered to rescind the transactions for the customers or choose another investment at no cost. The findings also included that neither Ellis nor the other representative received any compensation for the transactions.

The suspension is in effect from December 20, 2010, through June 19, 2011. **(FINRA Case #2009016923602)**

Kim Edward Elverud (CRD #2139216, Registered Principal, Bloomington, Minnesota) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Elverud consented to the described sanction and to the entry of findings that he caused his member firm to use Internet advertisements, websites and other public communications that were misleading, did not supply fair and balanced presentations of risks and rewards, or failed to give a sound basis for evaluating information. The findings stated that Elverud failed to approve or maintain records of public communications his firm issued. The findings also stated that Elverud's firm distributed a newsletter, which Elverud wrote, about a company whose securities the firm marketed; the letter was unduly and excessively positive, and failed to disclose material facts concerning the company's financial difficulties, which caused the communication to be misleading. The findings also included that Elverud made misrepresentations to investors through letters written on firm letterhead, about the securities the company issued, and the letters misrepresented the individual offers being made as a general reinvestment option to keep the investors from redeeming their holdings in the company's securities, and omitted material information regarding the company's financial difficulties. FINRA found that Elverud caused his firm's books and records identifying personnel holding supervisory and compliance responsibilities to be inaccurate. FINRA also found that Elverud caused his firm to conduct a securities business while it was in violation of its net capital requirements. **(FINRA Case #2008013429301)**

Mark Peter Erlich (CRD #2284613, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for seven months. Without admitting or denying the findings, Erlich consented to the described sanctions and to the entry of findings that he failed to disclose to his member firm that he personally possessed stock certificates belonging to prospective firm customers and details concerning such shares. The findings stated that by failing to disclose, Erlich prevented his firm from complying with SEC Rule 15c3-3 in that the firm, without knowing of the securities he

possessed, failed to bring the securities under possession or control as required, and compute and maintain sufficient cash and/or qualified securities in its reserve bank account, as required; and prevented the firm from complying with books and records rules, which required that firms record the receipt of securities. The findings also stated that Erlich used a personal email account to send business-related correspondence. The findings also included that, while Erlich courtesy-copied his firm email address on a few of the emails he sent from his personal email account, he failed to copy or forward any of these emails to his firm managers. FINRA found that Erlich's firm did not permit the use of non-firm email accounts for communications related to firm business, and that by using his personal email account for firm-related business and not copying or forwarding such emails to his firm, Erlich prevented his firm from discharging its supervisory obligations.

The suspension is in effect from February 7, 2011, through September 6, 2011. **(FINRA Case #2008012634701)**

Dorothy Pauline Fisher (CRD #1521956, Registered Representative, Austin, Texas) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $10,000 and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Fisher's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Fisher consented to the described sanction and to the entry of findings that she made an unsuitable recommendation to a customer concerning a variable annuity exchange. The findings stated that Fisher recommended that the customer surrender an existing annuity valued at $509,193.78 and purchase another annuity. The findings also stated that Fisher handled all of the paperwork to move the funds from the first annuity to the second annuity, and, other than stating that the second annuity fund earned a greater interest rate, she did not discuss the advantages or disadvantages of moving the funds. The findings also included that Fisher did not review either the prospectus or the initial contract for the first annuity. FINRA found that Fisher was unaware that the transaction would result in a substantial surrender penalty to the customer, failed to perform adequate analysis on the first annuity, and as a result, the customer was charged surrender fees totaling $43,750.

The suspension is in effect from January 18, 2011, through February 17, 2011. **(FINRA Case #2008015937201)**

Christopher Gregory Gibas (CRD #2263956, Registered Principal, Grand Island, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any supervisory or principal capacity for five months. Without admitting or denying the findings, Gibas consented to the described sanctions and to the entry of findings that he failed to reasonably supervise a registered representative at his member firm by approving variable annuity transactions

the representative recommended and affected; in approving these transactions, Gibas did not adequately respond to red flags that should have alerted him that the transactions were unsuitable. The findings stated that Gibas' firm placed the representative under heightened supervision, which was formalized by a written agreement the representative and Gibas signed, and under the agreement, Gibas was required, among of things, to pre-approve all the representative's annuity business and new accounts, to speak with each of the representative's customers who were 65 or older, and to help the representative diversify her business. The findings also stated that with respect to the variable annuity transactions, they were unsuitable, in that the transactions' costs outweighed the benefits, and in some of those transactions, the customers purchased a rider for which they were not eligible. The findings also included that at the time Gibas approved these transactions, there were numerous red flags regarding the representative's variable annuity transactions, including transactions appearing on exception reports, that should have alerted him to the potential unsuitability of her transactions and required follow-up more comprehensive than Gibas otherwise took.

FINRA found that Gibas did not adequately carry out his other responsibilities under the firm's heightened supervision of the representative; although Gibas reviewed the representative's transactions and contacted certain elderly customers before those transactions were affected, some of the conversations with the representative's customers lasted only a few minutes, were conducted when the representative was present, or before Gibas received any paperwork regarding the proposed transaction. FINRA also found that while Gibas met with the representative, as well as with other supervisory and compliance personnel at the firm, none of the steps taken proved effective in preventing the representative's unsuitable sales.

The suspension is in effect from December 20, 2010, through May 19, 2011. **(FINRA Case #2005002244703)**

Mary Lynn Gilbert (CRD #2474929, Registered Principal, Mesa, Arizona) submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for 10 business days. In light of Gilbert's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Gilbert consented to the described sanction and to the entry of findings that she engaged in an unapproved outside business activity selling mortgages with another company without notifying her member firm or requesting its approval. The findings stated that while employed at her member firm, Gilbert sold mortgage products and received $2,000 in compensation for one of them. The findings also stated that the products were not sold to her firm's customers and did not overlap with firm products. The findings also included that Gilbert resigned from the firm when her supervisor discovered her outside business activity and inquired about it.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2009016933001)**

Hugo Alexander Gomez (CRD #2891235, Registered Representative, Bronx, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $7,500, which includes disgorgement of $1,080 in commissions received, and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Gomez consented to the described sanctions and to the entry of findings that he exercised discretion in the securities account of a customer of his member firm without obtaining the customer's prior written authorization to exercise such discretion or his firm's prior written acceptance of the account as discretionary.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2008015158701)**

Douglas Christopher Green (CRD #1713027, Registered Principal, Lighthouse Point, Florida) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Green affected trades in collateralized mortgage obligation (CMO) bonds in his member firm's proprietary trading account to conceal inventory positions and create the false appearance of profitability through the use of fictitious and pre-arranged trades. The findings stated that in some cases, no contra-party had agreed to the transaction at the time Green submitted an order, and in other cases, Green had agreed to repurchase the security from the contra-party at an agreed-upon price that guaranteed a profit to the contra-party, causing the beneficial ownership to remain with Green. The findings also stated that Green devised a strategy that not only hedged and concealed the positions, but circumvented trading capital and inventory limits his firm set, and created the impression of profitable trading. The findings also included that Green did so by extending the settlement dates for certain bonds and coordinating fictitious transactions with other broker-dealers. FINRA found that Green received compensation based upon the overall profitability of the firm's proprietary account, and because Green's scheme created the appearance of profitability, he received compensation based upon the apparent profits; Green received $7,353,000, which resulted in an overstatement of the firm's net capital and caused the firm to cease business. FINRA also found that Green caused the firm's books and records to be inaccurate. In addition, FINRA determined that Green failed to respond to FINRA requests for documents and information, and to appear for on-the-record testimony. **(FINRA Case #2008012444201)**

Michael Douglas Hanke (CRD #3158013, Registered Representative, Tampa, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $2,500 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Hanke's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hanke consented to the described sanctions and to the entry of findings that he sent unapproved personal emails to customers guaranteeing them against future loss in their securities portfolio, although he later sent the customers an email withdrawing the guarantee.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2009016739701)**

Charles Donald Harkins (CRD #2816849, Registered Principal, Oakland Gardens, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for nine months. The fine must be paid either immediately upon Harkins' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Harkins consented to the described sanctions and to the entry of findings that he willfully failed to amend his Form U4 to disclose material information, and failed to timely respond to FINRA requests for information and documents.

The suspension is in effect from December 20, 2010, through September 19, 2011. **(FINRA Case #2009019094002)**

David Jacob Herzog (CRD #1688885, Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Herzog consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for on-the-record testimony. **(FINRA Case #2009017605601)**

Lover High Jr. (CRD #5204610, Registered Principal, Clarkston, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for eight months. The fine must be paid either immediately upon High's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, High consented to the described sanctions and to the entry of findings that he made unauthorized transactions in a customer's account when he sold all of the customer's holdings in her IRA account—mutual funds shares valued over $67,000—without the customer's knowledge or consent. The findings stated that High failed to timely respond to FINRA's requests for information.

The suspension is in effect from December 20, 2010, through August 19, 2011. **(FINRA Case #2009018271602)**

Robert A. Hoffmann (CRD #5291155, Registered Representative, Mesa, Arizona) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Hoffmann converted funds totaling $900 from customers' checking accounts. The findings stated that the customers opened checking accounts at the member firm's affiliated bank; automated teller machine (ATM) cards were sent to Hoffmann's attention at the bank and he was photographed using the cards to make unauthorized withdrawals at ATM machines. The findings stated that Hoffmann signed customer names

to signature cards to reactivate the inactive checking accounts without customers' or the bank's permission to do so. The findings also stated that Hoffmann repeated this procedure when the customer accounts again became dormant because they were not used within 30 days of reactivation. The findings also included that Hoffmann failed to respond to FINRA requests for documents and information. **(FINRA Case #2008014739501)**

David Scott Isolano (CRD #2504880, Registered Principal, Lackawaxen, Pennsylvania) submitted an Offer of Settlement in which he was fined $40,000 and suspended from association with any FINRA member in any capacity for five months and immediately thereafter suspended from association with any FINRA member in any principal capacity for one month. Without admitting or denying the allegations, Isolano consented to the described sanctions and to the entry of findings that his member firm willfully charged excessive and fraudulent markups to customers in connection with their purchase of penny stocks, and Isolano was personally responsible for failing to enforce the firm's supervisory procedures and was directly liable for the firm's fraudulent and excessive markups. The findings stated that Isolano engaged in a fraudulent markup scheme in connection with customers' transactions with the purchase or sale of a security. The findings also stated that Isolano, as his member firm's CEO, failed to reasonably enforce its supervisory procedures concerning markups and proprietary trading. The findings also included that Isolano knew a markup was assessed on customer transactions and failed to take steps to ensure the markup was fair and reasonable or in compliance with the firm's supervisory procedures.

The suspension in any capacity is in effect from January 3, 2011, through June 2, 2011, and the suspension in any principal capacity will be in effect from June 3, 2011, through July 2, 2011. **(FINRA Case #2007007253803)**

Allen Michael Kay (CRD #4474917, Registered Representative, Temecula, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $50,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Kay's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kay consented to the described sanctions and to the entry of findings that, while servicing customers of his member firm's affiliated bank, he misled his risk-adverse customers into investing in mutual funds that failed to comply with their risk tolerances and investment objectives. The findings stated that customers, all of whom the firm's bank employees referred to Kay, sought safe and secure investments that would not fluctuate in value and, in some instances, would pay fixed return rates. The findings also stated that Kay led these customers into believing, through his recommendations, that they were purchasing investments that met the criteria and misrepresented the nature of the investments to these customers, leading them, through affirmative statements or omissions, to believe that they were investing in safe products, such as government

bonds or bank instruments, the principal value of which would not fluctuate, when in fact they were investing in materially different investments with significantly higher risk. The findings also included that Kay failed to tell each of the customers that they were investing in mutual funds. FINRA found that Kay failed to explain the risks of the investments to his customers, leading them to accept his recommendation without being able to assess the appropriateness of the proposed investment, and failed to ensure that his customers understood the risks of these investments.

The suspension is in effect from January 3, 2011, through January 2, 2012. **(FINRA Case #2008014053102)**

Robert Charles Keane (CRD #4232583, Registered Principal, Cleveland, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Keane consented to the described sanctions and to the entry of findings that he participated in the marketing and implementation of a Stock to Cash program under which customers would pledge stock to obtain loans, the proceeds of which were, in many cases, used to purchase non-securities insurance products. The findings stated that the "pledged" stock would be transferred to the loaning entity's securities account, which was maintained at a clearing firm, and Keane played an integral part in facilitating these loans; customers accepted his recommendations, taking out loans totaling more than $3.3 million. The findings also stated that Keane facilitated his customers' pledging of the securities and recommended what stocks they should pledge and, in some cases, recommended that they sell specific securities and buy others to pledge to the lender, and affected those transactions. The findings also included that, despite making these recommendations, Keane made no effort to find out what happened to the stock conveyed to the lender, and did not inquire into what would be done with the stock; he understood that the lender took ownership of his customers' securities but incorrectly assumed that the customers retained some interest in the pledged stock.

FINRA found that Keane did not conduct an inquiry into the lender's financial condition and whether it had the ability to fulfill its obligations, and when he attempted to find out about the lender's hedging strategy, he was told that it was proprietary and that he could not get that information, but nevertheless entrusted his clients' securities to this lender. FINRA also found that because the Stock to Cash strategy involved in each case a pledge of stock, Keane's advice to his clients constituted a recommendation of "the purchase, sale or exchange of any security"; and as a registered representative, Keane was obligated under NASD Rule 2310 to have a reasonable basis for recommending that his customers pledge their stock to this lender to participate in the Stock to Cash program. In addition, FINRA determined that Keane failed to conduct adequate due diligence concerning the program lender, failed to take sufficient action to determine whether his clients' ownership interest in the pledged securities was adequately protected and, as a result, he did not understand the potential risks inherent in the strategy and did not have a reasonable basis for recommending the strategy to his current and potential customers.

The suspension was in effect from January 3, 2011, through February 1, 2011. **(FINRA Case #2007008935004)**

Jack Thomas Kennebeck (CRD #267683, Registered Principal, Clayton, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $50,000, suspended from association with any FINRA member in any capacity for 10 months, and ordered to pay customers $12,709.59, plus interest, in restitution. The fine and restitution amounts must be paid either immediately upon Kennebeck's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kennebeck consented to the described sanctions and to the entry of findings that he sold to four customers securities in the form of installment plan contracts offered by a Tennessee non-profit corporation without first providing written notice of his participation in these sales to his member firm or receiving its written approval; the Tennessee non-profit corporation promised a tax deduction and fixed deferred payments at an unspecified rate of return, in exchange for each customer's transfer of ownership of existing annuities to the non-profit corporation. The findings stated that Kennebeck's customers exchanged existing annuities with a combined accumulated value of $1,078,428.10 for installment-plan contracts. The findings also stated that although the non-profit corporation applied for tax-exempt status, the Internal Revenue Service (IRS) never approved its application, and consequently, customers who purchased installment-plan contracts were unable to claim a tax deduction in connection with their investments.

FINRA found that while Kennebeck obtained information from non-profit corporation personnel, which he accepted at face value and failed to independently verify, including the non-profit corporation's representation that it had been granted tax-exempt status as a charitable organization, and that investors could avail themselves of the touted tax deduction in connection with their investment. FINRA further determined that Kennebeck negligently misrepresented to his customers that they could take charitable tax deductions in connection with their respective investments, which was not true. FINRA also found that in connection with his sale of the installment plan contracts, Kennebeck provided the customers with illustrations and other sales materials he received from the non-profit corporation that contained misleading and incomplete information without first presenting them for review and approval to a registered principal of his firm.

The suspension is in effect from December 20, 2010, through October 19, 2011. **(FINRA Case #2009019042001)**

Corey Michael King (CRD #5564792, Registered Representative, Tulsa, Oklahoma) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon King's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief

from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, King consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4.

The suspension is in effect from December 20, 2010, through June 19, 2011. **(FINRA Case #2009020709101)**

Wesley Allen King (CRD #5268506, Registered Representative, Knoxville, Iowa) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, King consented to the described sanction and to the entry of findings that he was employed by his member firm's insurance affiliate when he submitted fictitious term-life-insurance applications to the affiliate, for which he received a total of $8,370.14 in commissions to which he was not entitled. The findings stated that King submitted fictitious independent business applications to his firm's insurance affiliate without receiving commissions for the applications, but submitted them in an attempt to win a company contest. **(FINRA Case #2010021660001)**

Stanley Wiener LaForest (CRD #5240791, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, LaForest consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information. **(FINRA Case #2009020197701)**

Andy Young Lee (CRD #4500321, Registered Representative, Gurnee, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Lee's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lee consented to the described sanctions and to the entry of findings that he opened a brokerage account at another member firm without providing written notice to his firm prior to opening the account, and placed hundreds of trades in the outside account without disclosing that trading activity to his firm. The findings stated that Lee failed to provide notice to the firm providing the account of his association with his firm. The findings also stated that when Lee became associated with another member firm, he failed to disclose the fact to the member firms at which he maintained brokerage accounts.

The suspension was in effect from December 20, 2010, through January 18, 2011. **(FINRA Case #2008015985601)**

Hansel Clarence Cua Lee (CRD #3259991, Registered Representative, Burbank, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Lee sold approximately $500,000 worth of Treasury and municipal securities in a customer's firm account without the customer's permission or knowledge.

The findings stated that Lee opened a checking account in the customer's name without the customer's knowledge or consent, placed the proceeds from the unauthorized sale in the checking account and then requested a $500,000 check to be drawn on the account made payable to a company under his control and ownership. The findings also stated that when the check could not be processed because of irregularities, Lee requested checks for $280,000 and $220,000 be drawn on the account and made payable to another company he owned and controlled, endorsed both checks and deposited the proceeds into his own checking account, thereby converting the funds. The findings also included that Lee failed to respond to FINRA requests for information and to provide testimony. **(FINRA Case #2008015280701)**

Laura Jane Leiker (CRD #4781255, Registered Principal, House Springs, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Leiker consented to the described sanction and to the entry of findings that she converted $1,001.31 from her member firm's parent company while serving as branch office manager with the signing authority for the office's expense account. The findings stated that Leiker converted the funds by writing checks payable to herself from the branch office's expense account. The findings also stated that Leiker signed the checks on the company's behalf, cashed the checks, and used the proceeds to pay for personal expenses. The findings also included that the company did not authorize any of the disbursements, and none of the checks were used to pay for, or to reimburse Leiker for, any valid business expense. **(FINRA Case #2010022030901)**

Jeffrey Christian Leo (CRD #2557553, Registered Representative, Wayside, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Leo consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information. **(FINRA Case #2009018339702)**

Richard G. Mailloux Sr. (CRD #5061928, Registered Representative, Coventry, Rhode Island) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000, ordered to disgorge ill-gotten gains and pay a partial restitution to a customer in the amount of $500, plus interest, and suspended from association with any FINRA member in any capacity for six months. The fine and restitution must be paid either immediately upon Mailloux's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mailloux consented to the described sanctions and to the entry of findings that he participated in private securities transactions without prior written notice to, or prior written approval from, his member firm. The findings stated that Mailloux referred customers to another registered representative of the firm, who executed promissory notes, called "private investor agreements," with the customers on a corporation's behalf. The findings also stated that the promissory notes,

which were securities, indicated that the corporation promised to pay 10 percent and 12 percent annual interest, respectively, in return for the loans. The findings also included that the corporation subsequently defaulted on its payment obligations to Mailloux's customers, who incurred significant losses, and Mailloux did not inform his firm about his customers' investments. FINRA found that Mailloux received a finder's fee of $500 from the firm's other registered representative for the investment one of the customers made.

The suspension is in effect from December 20, 2010, through June 19, 2011. **(FINRA Case #2009017337801)**

Timothy Robert Mays (CRD #4454071, Registered Representative, Oxnard, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for eight months. The fine must be paid either immediately upon Mays' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Mays consented to the described sanctions and to the entry of findings that he falsified firm records pertaining to client accounts. The findings stated that when customers omitted to sign documents necessary to effect authorized changes or actions with respect to their accounts, Mays placed the customers' signatures on the documents himself, rather than returning the documents to the customers to sign. The findings also stated that in each instance, the customer wanted and authorized the activity resulting from the submission of the falsified documents. The findings also included that while Mays was associated with another member firm, the firm learned from a customer that she had not signed a document purporting to bear her signature, and Mays initially told the firm that his falsification was limited to that one instance involving one client. FINRA found that it was not until his firm's inspection of Mays' office that he admitted to the firm that he had placed other customers' signatures on documents when necessary to accomplish their objectives. FINRA also found that Mays misled his firm by delaying this admission about the extent of his past misconduct while registered through the first firm.

The suspension is in effect from January 3, 2011, through September 2, 2011. **(FINRA Case #2009020791701)**

Andrew Gregory McGrath (CRD #4802370, Registered Representative, Warren, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon McGrath's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, McGrath consented to the described sanctions and to the entry of findings that he engaged in an outside business activity and failed to provide prompt written notice to his member firm; McGrath sold EIAs and earned approximately $104,000 in commissions.

The findings stated that McGrath completed and signed a firm annual questionnaire, on which he failed to disclose his outside business activity, and failed to update his Form U4 to disclose the outside business activity, and at no time did he provide written notice to his firm.

The suspension is in effect from December 20, 2010, through March 19, 2011. **(FINRA Case #2009018123301)**

Dorval Knight McLaughlin Jr. (CRD #734492, Registered Principal, Portage, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, McLaughlin consented to the described sanction and to the entry of findings that he checked several boxes on an Explanation of Transaction form and placed the customer's initials next to the boxes, without the customer's knowledge or authority; the customer had signed the signature page related to her annuity purchase but did not initial pages that explained the transaction and fees involved. The findings stated that McLaughlin signed a customer's name to a Mutual Fund & Certificate Redemption Exchange and/or Transfer Form without the customer's knowledge or authority. The findings also stated that McLaughlin signed a customer's name to a Transfer on Death Account Agreement/ Payment on Death Account Agreement without the customer's knowledge or authority. The findings also included that McLaughlin failed to respond completely to FINRA requests for information. **(FINRA Case #2008016319801)**

Bobb Arthur Meckenstock (CRD #1152284, Registered Principal, Hays, Kansas) submitted an Offer of Settlement in which he was fined $10,000 and suspended from association with any FINRA member in any principal capacity for 30 days. Without admitting or denying the allegations, Meckenstock consented to the described sanctions and to the entry of findings that he failed to reasonably supervise a registered representative at his member firm in that the registered representative participated in sales of stock that were outside the course or scope of the registered representative's employment with the firm. The findings stated that Meckenstock participated in certain sales of the stock himself, and failed to record the sales on the firm's books and records as required by NASD Rule 3040(c). The findings also stated that Meckenstock failed to submit a written request to participate in the sale of stock, failed to receive written approval to participate in the transactions and failed to provide written approval to the registered representative to participate in the sales. The findings also included that Meckenstock failed to conduct sufficient due diligence on the offering, failed to investigate the nature of the individual with the issuer, failed to investigate his relationship with the issuer, failed to question him about any additional sales he may have made to firm customers, and failed to investigate compensation that the registered representative was promised or received from the sale of the interests in the company.

FINRA found that Meckenstock failed to adequately supervise the resale of stock through a registered investment adviser (IA) the representative owned, and failed to review the IA's books and records, which would have disclosed the representative's sale of his shares of the stock to public customers. FINRA also found that Meckenstock reviewed a private placement memorandum and offering for his firm and approved it as a suitable investment, but failed to ensure that the issuer had established an escrow account, thereby failing to adequately supervise the sale of the offering and causing his firm to violate Securities Exchange Act Rule 15c2-4. In addition, FINRA determined that Meckenstock failed to evidence his supervisory review and approval of customers' purchases of interests in numerous offerings.

The suspension is in effect from January 18, 2011, through February 16, 2011. **(FINRA Case #2008011612602)**

Jarred A. Milliner (CRD #5649188, Registered Representative, Lafayette, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Milliner consented to the described sanction and to the entry of findings that he was an ATM custodian whom both his member firm and a bank suspected of misappropriating funds from an ATM, and both began an internal investigation of his actions. The findings stated that Milliner denied taking any funds from an ATM, but in response to specific questioning, he admitted that he had misappropriated $100 from his teller drawer several months earlier. The findings stated that in connection with the internal investigation, Milliner made full restitution of the $100 and voluntarily resigned his employment. **(FINRA Case #2010021764801)**

Steven Louis Morewitz (CRD #5022985, Registered Representative, Newport News, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for 18 months. The fine must be paid either immediately upon Morewitz' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Morewitz consented to the described sanctions and to the entry of findings that he prepared and submitted to his member firm, fictitious mutual fund applications together with funds he owned constituting the minimum amount needed for a purchase. The findings stated that on each application, Morewitz signed the purported customer's name without their knowledge or consent, and based on the applications, the firm opened accounts and affected the purchases. The findings also stated that Morewitz submitted the applications to create the false appearance that he had met the firm's minimum production requirement, and in submitting the applications and causing the transactions to be affected, Morewitz caused the firm to retain and preserve false and/or inaccurate records. The findings also included that Morewitz prepared and submitted fictitious term life insurance applications to an affiliate of his firm without the

knowledge or authorization of the customers identified on the applications. FINRA found that Morewitz signed the purported applicants' names without their knowledge or consent, and submitted with each application funds he owned that were sufficient to pay the initial policy premium. FINRA also found that Morewitz submitted the applications to create the false appearance that he had met the firm's minimum production requirement, and based on the applications, the affiliate issued the policies.

The suspension is in effect from December 20, 2010, through June 19, 2012. **(FINRA Case #2010022778501)**

Antonio Demetrious Mosby (CRD #5700585, Registered Representative, North Las Vegas, Nevada) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Mosby consented to the described sanction and to the entry of findings that he submitted, or caused to be submitted, a Form U4 that was materially false or inaccurate, thereby willfully failing to disclose material facts on his Form U4. **(FINRA Case #2009020767901)**

Harry Alexander Mullen Jr. (CRD #342393, Registered Representative, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mullen consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for on-the-record testimony. **(FINRA Case #2009019155901)**

Buka Uzoma Nwigwe aka Chukwuebuka Nwigwe (CRD #5289362, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity. The Hearing Officer did not order restitution because the customer was not required to pay for the unauthorized charges on the credit card. The sanction was based on findings that Nwigwe misappropriated customer's funds when he worked as a personal banker for his member firm's affiliate bank. The findings stated that Nwigwe requested that a credit card for a customer be delivered to his attention at the branch, used the credit card to incur approximately $1,746 in unauthorized charges for his personal use and forged the customer's signature on multiple occasions to complete purchases with the card. The findings also stated that Nwigwe admitted to the firm's internal investigators that he used the unauthorized credit card for his personal use. **(FINRA Case #2009019332001)**

Lochlainn Ohaimhirgin (CRD #3094966, Registered Representative, Highland Heights, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Ohaimhirgin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Ohaimhirgin consented to the described sanctions and to the entry of findings that he recommended that customers participate in a Stock to Cash program

under which customers would pledge stock to obtain loans, the proceeds of which were, in many cases, used to purchase non-securities insurance products; customers accepted his recommendation, taking out loans in the Stock to Cash program totaling more than $3.3 million. The findings stated that Ohaimhirgin made no effort to find out what happened to the stock that was conveyed to the lender, and did not inquire into what would be done with the stock. The findings also stated that Ohaimhirgin assumed that the lender held the stock as collateral for the entire loan term and did not attempt to obtain any information from the lender to whom the stock was assigned, or to verify any information provided by the promoter of the program with the lender. The findings also included that because the Stock to Cash strategy involved in each case a pledge of stock, Ohaimhirgin's advice to his clients constituted a recommendation of "the purchase, sale or exchange of any security," and as a registered representative, he was obligated under NASD Rule 2310 to have a reasonable basis for recommending that his customers pledge their stock to this lender to participate in the Stock to Cash program. FINRA found that Ohaimhirgin failed to obtain and verify information about how the stock was held or secured, and whether the lender had the ability to fulfill its obligations before recommending that his customers participate in the Stock to Cash program. FINRA also found that as a result of failing to ascertain the facts necessary to understand the potential risks inherent in the program, Ohaimhirgin did not have a reasonable basis for his recommendations.

The suspension is in effect from January 3, 2011, through March 3, 2011. **(FINRA Case #2007008935006)**

Philip Michael O'Hearn (CRD #2466485, Registered Principal, Cape Elizabeth, Maine) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, O'Hearn consented to the described sanctions and to the entry of findings that he placed a phone call to an insurance company's customer service call center asking for information about a customers' policy and falsely identified himself as the representative assigned to the life insurance policy, providing the agent of record's name and agent number. The findings stated that O'Hearn also provided the service agent with the customers' updated mailing address, and requested that the agent send certain policy information to them.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2010022804601)**

Matthew David Osborn (CRD #3257186, Registered Representative, Yreka, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Osborn consented to the described sanctions and to the entry of findings that he exercised discretion in a customer account to cause municipal bond purchases without having received the customer's proper written authorization to exercise discretion and without his member firm's acceptance of the account as discretionary.

The suspension was in effect from January 18, 2011, through January 31, 2011. **(FINRA Case #2008015683001)**

Gary Woodruff Peterson (CRD #601746, Registered Principal, Rockford, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Peterson consented to the described sanctions and to the entry of findings that he failed to disclose material information on his Form U4.

The suspension was in effect from January 3, 2011, through February 1, 2011. **(FINRA Case #2008015729501)**

Louis Robert Porteous III (CRD #1549517, Registered Principal, South Freeport, Maine) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Porteous' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Porteous consented to the described sanctions and to the entry of findings that he executed unauthorized securities trades in customer accounts without the customers' prior knowledge, authorization or consent. The findings stated that the trades consisted of re-allocating sub-accounts within variable annuities, in which case Porteous moved funds into fixed interest sub-accounts, and transfers of funds invested in mutual funds into money market accounts, purportedly to protect customers from what he perceived would be ongoing severe volatility in the market at the time. The findings also stated that at a later date, Porteous executed unauthorized trades of securities in many of the same customer accounts without their prior knowledge, authorization or consent; these trades consisted of returning the accounts to their original allocations.

The suspension is in effect from January 18, 2011, through January 17, 2012. **(FINRA Case #2008015035101)**

Louis Patrick Powell (CRD #2373133, Registered Representative, Carthage, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Powell consented to the described sanction and to the entry of findings that he failed to fully respond to FINRA requests for documents and information. **(FINRA Case #2009020132001)**

Clark Alexander Reinhard (CRD #2224876, Registered Representative, Westfield, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Reinhard consented to the described sanction and to the entry of findings that he participated in private securities transactions without providing prior written notice

to, and/or obtaining prior written approval from, his member firm. The findings stated that Reinhard sold at least $869,000 in stock and warrants to investors, including firm customers, and sold the securities, which a publicly traded company issued, as part of a private securities offering by hedge funds. The findings also stated that Reinhard falsely represented on annual compliance questionnaires that he had not engaged in private securities transactions. The findings also included that Reinhard failed to respond to FINRA requests for documents. **(FINRA Case #2010021577101)**

Randall Edgar Robinson II (CRD #5514480, Registered Representative, Indianapolis, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Robinson consented to the described sanction and to the entry of findings that, while serving as a licensed insurance agent, he created fictitious property and casualty insurance policies in order to meet production goals with his firm's affiliated insurance company. The findings stated that Robinson did so by forging customer signatures or otherwise falsifying insurance application forms and related documents. The findings also stated that the firm's affiliated insurance company paid Robinson approximately $16,000 in commissions as a result of the fictitious policies. **(FINRA Case #2010022635301)**

Paul Michael Rodak (CRD #2738165, Registered Principal, Kirtland, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Rodak's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Rodak consented to the described sanctions and to the entry of findings that he assisted customers in participating in a Stock to Cash program, under which customers would pledge stock to obtain loans, the proceeds of which were, in many cases, used to purchase non-securities insurance products. The findings stated that customers Rodak assisted took out stocks to cash loans totaling more than $7.8 million. The findings also stated that as part of the process of obtaining a loan through the Stock to Cash loan program, customers were required to provide documentation setting forth the intended use of proceeds in order to ensure compliance with Federal Reserve Board regulations restricting the extension of margin credit. The findings also included that in order to avoid violation of Regulation U, borrowers who pledge marginable securities must complete a Federal Reserve Form G-3, also referred to as a Purpose Statement, which requires them to certify whether they will be using the loan proceeds to buy margin securities and, if not, to describe the specific purpose of the credit; the Form G-3 includes a warning that the falsification of the purpose of the credit by a borrower on the form violates the margin rules.

FINRA found that Rodak completed the Purpose Statement for the customers, indicating that they would be using the proceeds for real estate, but at the time Rodak completed these forms, he did not know how the customers would be using the proceeds, or whether

the customers had already decided to use the proceeds to buy insurance products; as a result, Rodak caused numerous Purpose Statements to be inaccurate, and a copy of the completed statement for each customer was subsequently provided to the promoter of the program.

The suspension is in effect from January 3, 2011, through March 3, 2011. **(FINRA Case #2007008935003)**

Michael Rozenbaum (CRD #5366210, Registered Representative, Brooklyn, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Rozenbaum consented to the described sanction and to the entry of findings that he misappropriated funds from a customer by depositing into his personal bank account a $5,000 check, which he endorsed, that the customer had sent for deposit into her Roth IRA account to fund a mutual fund purchase, and thereby converted the funds to his own use and benefit. The findings stated that the customer did not authorize Rozenbaum to deposit her funds into his bank account. The findings also stated that the firm made the customer whole and Rozenbaum subsequently reimbursed the firm. **(FINRA Case #2009016742001)**

Betty Lynn Saleh (CRD #2146402, Registered Representative, Agoura Hills, California) submitted an Offer of Settlement in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Saleh consented to the described sanction and to the entry of findings that she recommended unsuitable transactions to customers without a reasonable basis to believe that the recommendations and resultant transactions would benefit the customers or were consistent with the customers' financial position, investment goals and objectives, based upon the information she knew about their other security holdings and their financial situations and needs. The findings stated that Saleh engaged in a pattern of withdrawing funds from annuities primarily to raise cash, with which she generated production credits and routinely applied the proceeds to purchase closed end funds (CEFs), UITs, mutual funds or reverse convertibles; Saleh engaged in unsuitable excessive and short-term trading by selling the positions within one year to purchase similar funds, causing the customers to incur cost with no substantial benefit and for their portfolios to suffer undue concentration in equities and resulting market risk and losses. The findings also stated that Saleh made unsuitable recommendations to customers to surrender variable annuities in whole or in part to purchase other variable annuities without a reasonable basis to believe that the transactions would benefit the customers or were consistent with their financial positions, investment goals and objectives. The findings also included that Saleh placed, or caused to be placed, false customer signatures on firm records, issuer documents and variable annuity documents relating to transactions, and submitted the documents to her firm and issuers, knowing they would rely on the accuracy of the information as to the customers and the transactions.

FINRA found that Saleh placed, or caused to be placed, false information into her firm's electronic account records to reflect annuity partial surrenders as interest payments, and that the firm then provided the false information to customers on customer statements, as Saleh knew, or should have known, would occur. FINRA also found that Saleh executed transactions in customer accounts without the customers' prior knowledge, authorization or consent, and exercised discretion in customers' accounts without their prior written authorization and without the firm's written acceptance of the accounts as discretionary. In addition, FINRA determined that Saleh committed fraud, intentionally or recklessly engaging in this conduct, to enhance her commissions without regard to the consequences to the customers or her firm. Moreover, FINRA determined that she failed to disclose material information and concealed her conduct by placing false information in her firm's books and records, causing her firm to maintain inaccurate records regarding securities transactions. **(FINRA Case #2008012738001)**

Randie Jill Sanford (CRD #2079890, Registered Representative, Woodbury, New York) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $5,000 and suspended from association with any FINRA member in any capacity for eight months. The fine must be paid either immediately upon Sanford's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sanford consented to the described sanctions and to the entry of findings that she wrote personal checks against a number of her accounts maintained at her member firm while she knew, or should have known, that she had insufficient funds to cover payment on the checks. The findings stated that the checks were linked to her financial management account, addressed to herself and in response to or preceded by the firm's giving her notice that she had to deposit funds to cover checks on a margin call. The findings also stated that, in almost each instance, after receiving notice that she had to deposit funds into one of her accounts, Sanford responded by writing and depositing an insufficient funds check into that account, and then writing additional checks or effecting account transfers to prevent the first check from being dishonored. FINRA found that Sanford wrote checks from an account she knew, or should have known, had a negative balance, and deposited them into the same account resulting in an inflated account balance; the amount of the insufficient funds checks totaled an aggregate of approximately $109,000. FINRA also found that Sanford willfully failed to disclose material information on her Form U4.

The suspension is in effect from December 20, 2010, through August 19, 2011. **(FINRA Case #2007011320901)**

Carlos C. Sarmiento Jr. (CRD #5003883, Registered Representative, San Antonio, Texas) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity and ordered to pay $82,350, plus interest, in restitution to a member firm. Sarmiento shall provide proof of the payment of the restitution to FINRA. Without admitting or denying the allegations, Sarmiento consented to the described

sanctions and to the entry of findings that he converted a total of approximately $82,350 through checks, which he took and forged from a joint brokerage account firm customers held. The findings stated that Sarmiento admitted to one of the customers that he had taken the checks belonging to the customers' joint brokerage account, admitted to stealing their money, indicated that he would return the money and asked that he not be reported. The findings also stated that Sarmiento's former member firm contacted his current firm regarding Sarmiento's conversion of customers' funds while at the former firm, and when questioned, Sarmiento admitted to having taken the customers' funds. The findings also included that Sarmiento failed to respond to FINRA requests for information and documents. **(FINRA Case #2009019888601)**

Linda Mary Bakalis Schurr (CRD #4320816, Registered Representative, Rockville, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which she was fined $35,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Schurr's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Schurr consented to the described sanctions and to the entry of findings that she engaged in an outside business activity involving a company, which was a marketing and advertising business through which she sought to generate leads for registered representatives and insurance agents. The findings stated that the company's primary form of marketing was mass mailings, usually employing postcards that contained false and misleading statements that Schurr sent and caused to be sent to thousands of prospective customers. The findings also stated that Schurr developed and directed the use of multiple false and misleading telephone operator scripts that were used in the company's call center to respond to potential investors. The findings also included that, as a result of the misleading marketing practices involving her company, Schurr became the subject of state regulatory actions and willfully failed to timely update and amend her Form U4 to disclose these actions to FINRA as required. FINRA found that Schurr associated with a FINRA registered member firm and acted in a registered capacity while subject to statutory disqualification. FINRA also found that Schurr provided false information and failed to disclose material information to the firm on firm annual compliance and outside business activity questionnaires concerning her outside business activity and regulatory actions. In addition, FINRA determined that Schurr failed to provide prompt and complete written notice to the firm of her outside business activities involving another insurance marketing firm when the other company was closed.

The suspension is in effect from January 18, 2011, through January 17, 2013. **(FINRA Case #2007009073002)**

Dallas Ray Seagraves II (CRD #2245698, Registered Principal, Nicholasville, Kentucky) was fined $10,000, suspended from association with any FINRA member in any capacity for nine months and barred from association with any FINRA member in any principal capacity. The

fine is due and payable upon Seagraves' return to the securities industry. The sanctions were based on findings that Seagraves willfully failed to amend his Form U4 with material information and to disclose the information on his member firm's annual compliance questionnaire. The findings stated that Seagraves failed to submit an invitation to his investment seminars for principal approval before sending it to the general public, and used unapproved slides at the seminars although he had previously submitted sales literature to his firm for advance approval and was therefore familiar with the requirement to do so. The findings also stated that Seagraves' seminar invitation and slides he used in connection with the seminars contained numerous exaggerated, misleading and promissory statements that contravened FINRA Rule 2210's requirements for sales literature.

The suspension is in effect from December 20, 2010, through September 19, 2011. **(FINRA Case #2007009181101)**

Mark Jeffrey Shafer (CRD #1305651, Registered Representative, New Albany, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any member firm in any capacity for 10 business days. In light of Shafer's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Shafer consented to the described sanction and to the entry of findings that he executed transactions in a public customer's accounts without the customer's written permission to exercise discretion in the accounts, and without notifying the customer prior to the transactions. The findings stated that Shafer did not have his member firm's written permission to exercise discretion in any of the accounts.

The suspension was in effect from January 3, 2011, through January 14, 2011. **(FINRA Case #2009016656501)**

Ronald George Spomer II (CRD #4210676, Registered Representative, Cody, Wyoming) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Spomer consented to the described sanction and to the entry of findings that he engaged in an outside business activity without prior permission of his member firm by distributing unregistered securities through a non-FINRA regulated entity, and received in excess of $100,000 in compensation. The findings stated that without his new member firm's knowledge or authorization, Spomer distributed correspondence to non-firm customers who had bought the unregistered securities because the State of Texas ceased the business operations of the issuer and placed the issuer into receivership. The findings also stated that Spomer's letter used firm disclosure language at the bottom of the letter that gave the erroneous impression that the firm, with Spomer as agent, had issued the correspondence. The findings also included that Spomer failed to submit the letter to his member firm's principal for prior approval, and failed to provide a sound basis for evaluating the security by promoting the "similar program," and used improper promissory language to describe the product. FINRA found that Spomer failed to respond to FINRA requests for information. **(FINRA Case #2009018497601)**

Mamoru Takeuchi aka Marr Takeuchi (CRD #1733799, Registered Representative, Cerritos, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $10,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Takeuchi consented to the described sanctions and to the entry of findings that he participated in private securities transactions by selling a viatical settlement company's viaticals to outside investors while he was registered with his member firm. The findings stated that Takeuchi did not provide notice to, and receive approval from, the firm before participating in these private securities transactions; the firm also prohibited the sales of viaticals. The findings also stated that Takeuchi earned approximately $4,400 as a result of his viatical sales and never gave the firm any notice, written or otherwise, that he had sold viaticals to outside investors. The findings also included that Takeuchi repeatedly misrepresented and omitted material information to the firm concerning his sales of viaticals when he completed the firm's annual compliance meeting questionnaires and checked "No," implying that he had not engaged in any activity involving viatical contracts. FINRA found that Takeuchi made false attestation to the firm when he executed a firm document that he had not participated in the sale or solicitation of viaticals. FINRA also found that Takeuchi knew that his written statements to the firm regarding his viatical sales were inaccurate or incomplete.

The suspension is in effect from January 3, 2011, through January 2, 2012. **(FINRA Case #2009017628301)**

Bradley Darryl Tiche (CRD #2072348, Registered Principal, Sewickley, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $4,250 and suspended from association with any FINRA member in any capacity for 15 business days. The $4,250 fine FINRA imposed gave Tiche credit for the $1,500 fine he paid to his member firm for his misconduct. Without admitting or denying the findings, Tiche consented to the described sanctions and to the entry of findings that he failed to timely disclose material information on his Form U4.

The suspension is in effect from February 7, 2011, through February 28, 2011. **(FINRA Case #2008015190201)**

Todd Randall Ware (CRD #1874544, Registered Principal, Conroe, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $15,000 and suspended from association with any FINRA member in any capacity for 15 business days. Without admitting or denying the findings, Ware consented to the described sanctions and to the entry of findings that he introduced several customers to a Stock to Cash program under which customers would pledge stock to obtain loans to purchase other products. The findings stated that Ware recommended a customer participate in the program under which the customer obtained loans of approximately $388,000 and pledged securities in support of these loans, using the proceeds to purchase fixed annuities through Ware. The findings also stated that Ware failed to conduct adequate due diligence concerning

the operations or financial stability of the Stock to Cash program lender and failed to take sufficient action to determine whether his clients' ownership interest in the pledged securities was adequately protected. The findings also included that Ware did not understand the potential risks inherent in the program and therefore did not have a reasonable basis for his recommendations.

The suspension was in effect from January 18, 2011, through February 7, 2011. (**FINRA Case #2007008935007)**

Martin Dean White Sr. (CRD #2427888, Registered Principal, Southlake, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon White's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, White consented to the described sanctions and to the entry of findings that as president of his member firm, he permitted the creation and dissemination of misleading sales and advertising materials to various state securities regulators in an effort to draw scrutiny to a business established by former registered representatives who left the firm to start their own business selling oil and gas interests. The findings stated that White made it appear as if the documents had been generated by an entity the former registered representatives established. The findings also stated that a firm employee drafted and assembled the mailings to create the appearance that an officer or employee of the former registered representatives' new business had generated and authorized the mailings. The findings also included that the mailings contained a cover letter drafted to draw regulators' interest to the former registered representatives' entity.

FINRA found that in this regard, the mailings appeared to be from the former registered representatives' entity, listed the name of an officer or employee of the entity, contained a return address of the entity on the envelopes used in the mailings, included printouts from the entity's website, provided an executive memorandum, and also provided a "Confidential Private Placement Memorandum" and "Subscription Agreement" which both listed the former registered representatives' new business throughout the documentation.

The suspension is in effect from January 18, 2011, through April 17, 2011. **(FINRA Case #2008012577601)**

Paul Anthony Wiggins (CRD #4511424, Registered Representative, Arlington, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wiggins consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for documents and testimony. **(FINRA Case #2009017571501)**

Carson Jay Woods (CRD #4686512, Registered Representative, Johnstown, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined $5,000 and suspended from association with any FINRA member in any capacity for 60 days. The fine must be paid either immediately upon Woods' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Woods consented to the described sanctions and to the entry of findings that certain states implemented a LTC CE requirement that obligated financial advisors to complete a LTC CE course and exam before selling LTC insurance products. The findings stated that to assist financial advisors with the LTC CE requirement, Woods created an answer key for one state exam, distributed the answers for the exam to other firm representatives and distributed a portion of the answers for the exam to a non-firm employee.

The suspension is in effect from December 20, 2010, through February 17, 2011. **(FINRA Case #2009021029616)**

Louis A. Wright (CRD #4053503, Registered Principal, Plymouth, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for one year. In light of Wright's financial status, no monetary sanctions were imposed. Without admitting or denying the findings, Wright consented to the described sanction and to the entry of findings that he engaged in private securities transactions when he participated in the sale of private placements related to telephone equipment and leasing agreements offered through various businesses connected to a company. The findings stated that Wright received no selling compensation, agreed to provide restitution of $1,617,485 to the customers by entering into purchase agreements with each customer and has commenced payment. The findings also stated that Wright's member firm suspended him for 10 business days and placed him on heightened supervision for one year.

The suspension is in effect from January 3, 2011, through January 2, 2012. **(FINRA Case #2007010986202)**

Robert Anthony Yacovone (CRD #4107340, Registered Principal, North Bergen, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Yacovone consented to the described sanction and to the entry of findings that while employed at a bank affiliate of his member firm, he obtained a bank withdrawal slip that was blank and signed by a bank customer. The findings stated that Yacovone completed the withdrawal slip indicating the customer's checking account number and a withdrawal of $40,000, and provided it to a teller at his branch with instructions to withdraw the funds from the customer's bank checking account and transfer the funds to Yacovone's relative's bank account. The findings also stated that Yacovone used the $40,000 to repay a short-term loan and existing debt that he owed on an approved outside

business he owned with his relative. The findings also included that the customer's assistant contacted Yacovone to advise him of the $40,000 unauthorized withdrawal from the customer's bank checking account and, as a result of the inquiry, Yacovone repaid the customer $40,000 with funds he received from his relatives. **(FINRA Case #2010021361001)**

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Daniel Edward Becerril II (CRD #4489715, Registered Representative, Huntington Beach, California) was named as a respondent in a FINRA complaint alleging that a prospective customer gave Becerril $11,500 to invest in a mutual fund on her relative's behalf, and although he fraudulently misrepresented that he was going to invest her funds in the mutual fund, he misused the customer's funds by depositing the funds into a bank account he controlled. The complaint alleges that when the customer inquired about the status of her funds, Becerril attempted to assuage her concerns by making misrepresentations and failing to disclose certain material facts to her. The complaint further alleges that Becerril also provided the customer with a document, which falsely represented that his firm's New Business department had received her funds which were to be invested within a short timeframe. In addition, the complaint alleges that the customer was not satisfied with Becerril's explanations and documentations, and requested that Becerril return her funds, which he did not return until after she had made a regulatory complaint against him. Moreover, the complaint alleges that Becerril knowingly, willfully or recklessly made misrepresentations of material facts, and omitted to disclose material facts in connection with his offer and sale of mutual fund investment to the customer. Furthermore, the complaint alleges that Becerril failed to produce documents FINRA requested. **(FINRA Case #2009018944001)**

Raymond Thomas Blunk (CRD #2011245, Registered Representative, Carmel, Indiana) was named as a respondent in a FINRA complaint alleging that he recommended that customers participate in a Stock to Cash program under which customers pledged stock to obtain loans to purchase other products; Blunk's customers obtained loans totaling approximately $1.7 million. The complaint alleges that the pledged stock would be transferred to the loaning entity's securities account maintained at a clearing firm; which were typically a short period of time, were for up to to 90 percent of the value of the stock with no payments required during the term of the loan; however, customers were required to pay the full principal and interest due at the end of the loan term. The complaint also

alleges that documentation the loaning entity used made it appear it was retaining the securities pledged and might use them to enter into hedging transactions, but in reality, the customers conveyed full ownership to the entity, which routinely sold the securities upon receipt and moved the money into its own bank account. The complaint further alleges that the entity became unable to make complete payments to customers with profitable portfolios and used the proceeds from the sale of securities new customers pledged to pay off its obligations to existing customers, and money was also diverted to pay for expenses not related to its operation. In addition, the complaint alleges that Blunk failed to find out what happened to stock conveyed to the lender and assumed the lender was a broker-dealer holding the stock for his customers in custodial accounts. Moreover, the complaint alleges that when Blunk tried to find out more information, intermediaries refused to provide more information but Blunk still entrusted his clients' securities to the lender. Furthermore, the complaint alleges that as a result of this failure to conduct due diligence, Blunk violated the requirement of having a reasonable basis for recommending the Stock to Cash program to customers and potential customers. **(FINRA Case #2007008935009)**

Brendan Walter Coughlin (CRD #4917244, Registered Principal, Dallas, Texas) and Henry Deimel Harrison (CRD #4919907, Registered Principal, Dallas, Texas) were named as respondents in a FINRA complaint alleging that they were co-founders, managing partners and registered principals of a member firm that marketed and sold preferred stock interests in a series of private placements offered by the firm's affiliated issuer, a non-registered entity; and Coughlin and Harrison were also founders of the affiliated issuer. The complaint alleges that the offerings offered series of non-convertible redeemable cumulative preferred stock and each claimed an exemption from the registration pursuant to Rule 506 of Regulation D of the federal securities laws. The complaint also alleges that Coughlin and Harrison conducted each offering through a syndicate of participating retail broker-dealers and the offerings were sold nationwide to customers through these retail broker-dealers, raising approximately $485 million; the retail broker-dealers received fees and/or commissions for soliciting investors in these offerings. The complaint further alleges that Coughlin and Harrison employed wholesalers who assisted the retail broker-dealers with product training and in providing sales and marketing materials designed to encourage individual investors to purchase the offerings. In addition the complaint alleges that Coughlin and Harrison participated in the drafting, preparation, approval and/or dissemination of various materially false and misleading statements contained in the private placement memoranda the affiliated issuer issued. Moreover, the complaint alleges that Coughlin and Harrison failed to disclose the sources of funds used to pay distributions and dividends to investors, and affirmatively represented that the source of dividend payments was production revenue when that was not the case. Furthermore, the complaint alleges that, contrary to an attorney's advice that prior disciplinary history had to be disclosed in the private placement memoranda for the offerings, Coughlin and Harrison failed to disclose prior disciplinary history of the affiliated issuer's founder and owner, which was in connection with his offering of unregistered securities, and they failed

to disclose the founder's ownership and involvement in the management of the affiliated issuer. The complaint also alleges that the firm's accounting department, acting on instructions from Coughlin and Harrison, transferred tens of millions of dollars of investors' funds, to the founder of the firm's affiliated issuer ostensibly to acquire oil and gas interests, with little, if any, documentation of the purpose of the transfers, the improper financial dealings with the founder, and the undocumented loans and transfers were not disclosed to investors. **(FINRA Case #2009017497202)**

Gary Ray Fournier (CRD #211949, Registered Representative, Rolling Hills, California) was named as a respondent in a FINRA complaint alleging that he engaged in unsuitable and excessive trading in municipal bonds in the brokerage accounts of customers; the transactions were excessive in nature in that such trades were inconsistent with the customers' financial background, tax status and investment objectives. The complaint alleges that Fournier effected frequent short-term transactions in securities that were designed and intended for long-term holding, thereby decreasing the net worth of the accounts as a result of the transactions. The complaint also alleges that Fournier failed to properly follow his customers' investment objectives; customer losses totaled approximately $1.2 million, while the firm and Fournier earned approximately $875,000 in compensation from markups and markdowns. The complaint also alleges that Fournier churned the customers' accounts by recommending and effecting transactions in municipal securities that were excessive in frequency in view of the customers' financial background, tax status and investment objectives. The complaint further alleges that Fournier failed to deal fairly with customers and engaged in deceptive, dishonest, or unfair practices by trading municipal securities at a rate and in a manner that had no beneficial economic purpose for the customers. Further, the complaint alleges that Fournier failed to deal fairly with customers and engaged in deceptive, dishonest, or unfair practices by misrepresenting the transaction compensation he was charging customers on municipal bond transactions. Moreover, the complaint alleges that Fournier exercised discretion in customers' accounts after his firm had withdrawn its approval and prohibited such trading. **(FINRA Case #2007009401301)**

Richard A. Garaventa (CRD #3101772, Associated Person, Dannemora, New York) was named as a respondent in a FINRA complaint alleging that he misappropriated over $2.5 million from his member firm, firm customers and a firm counterparty for his own benefit. The complaint alleges that Garaventa entered, or caused to be entered, numerous false journal entries into his member firm's electronic system to transfer and credit at least $59,349 of unreconciled customer funds approximately $120,395 from an SEC settlement fund intended for customers, approximately $1,786,052 from different firm sources, including the firm's fee and foreign exchange accounts, leftover balances from corporate actions and accumulated ADR fees, commingled with funds from other sources, approximately $320,422 of a $1,000,000 overpayment by a firm counterparty, and $228,301 from other underdetermined sources by entering numerous false journal entries into the firm's electronic system to transfer those funds to other suspense

accounts that he was using to misappropriate funds. The complaint further alleges that Garaventa then entered or caused to be entered into the firm's electronic system check requests to be issued to a shell corporation he created against the accounts he was using to misappropriate funds by having firm employees who reported to him enter check requests on his behalf, which Garaventa later approved and by using the identification number and password of another firm employee who reported to him to enter check requests. The complaint further alleges that, as a result of Garaventa's false journal entries and check requests, his firm's books and records were falsified. In addition, the complaint alleges that Garaventa failed to respond to FINRA requests for information. **(FINRA Case #2009017072301)**

Hsin-Chuan Hsu aka Henry Hsu (CRD #1655196, Registered Representative, Marlboro, New Jersey) was named as a respondent in a FINRA complaint alleging that he fraudulently caused the transfer of profitable trades that were originally billed to the accounts of firm's customers into his relatives accounts, resulting in profits to one of the relative's account of approximately $47,118 and profits to the other relative's account of approximately $2,625. The complaint alleges that Hsu caused these fraudulent transfers by submitting trade correction forms known as Non-Market Error Trade Correction forms to the firm's wire room, and forged some of the forms by placing photocopies of firm managers' signatures on the forms without their knowledge or approval, and submitted the forms to the wire room for processing. The complaint also alleges that the firm became aware of Hsu's transfer of profitable trades and related forgeries, and is in the process of making restitution to the affected customers. **(FINRA Case #2008015805401)**

Paul James Marshall (CRD #1889692, Registered Supervisor, Atlanta, Georgia) was named as a respondent in a FINRA complaint alleging that he obtained the option to purchase shares of a company after he obtained bank financing for the company and offered to purchase shares for a member firm customer. The complaint alleges that the customer wired $38,200 to a bank account Marshall controlled to purchase the shares, but Marshall failed to exercise the option, did not forward the funds to the company and did not return the money to the customer because he made the unilateral decision that a joint business venture between himself and the customer owed him the money. The complaint also alleges that Marshall used the money for his personal expenses and not for the customer's benefit. The complaint further alleges that Marshall borrowed $25,000 from the customer contrary to his firm's written supervisory procedures that did not permit registered representatives from borrowing from customers. In addition, the complaint alleges that Marshall wrote a check payable to the customer's business for $25,000 to pay back the loan, but it was not honored due to Marshall's lack of funds in his bank account. Moreover, the complaint alleges that Marshall failed to completely respond to FINRA requests for information. **(FINRA Case #2008014285801)**

Brian Reuben Mitchell (CRD #5205677, Registered Representative, Streetsboro, Ohio) was named as a respondent in a FINRA complaint alleging that he engaged in an outside business activity selling legal and identity theft services, for compensation, and failed to provide prompt written notice to his member firm. The complaint alleges that Mitchell caused $36.95 to be withdrawn from an insurance customer's checking account to pay for legal services without the customer's or his relative's knowledge and consent, thereby misusing customer funds. The complaint also alleges that Mitchell failed to respond to FINRA requests for information and documentation. **(FINRA Case #2009017279501)**

Miguel Angel Murillo (CRD #4875997, Registered Representative, Bayshore, New York) was named as a respondent in a FINRA complaint alleging that he recommended excessive transactions in a customer's account that were unsuitable in light of the customer's financial situations, needs and investment objectives. The complaint alleges that Murillo controlled and directed the trading in the customer's account, in that he recommended and executed all the transactions in the account, and the vast majority of the transactions in the customer's account were affected through the use of margin and resulted in the customer incurring additional costs in the form of margin interest. The complaint also alleges that the customer was unable to evaluate Murillo's recommendations, did not understand what margin meant, and was unable to exercise independent judgment concerning the transactions in the account due to his lack of investment knowledge and limited English skills. The complaint further alleges that although the customer signed a pre-completed margin agreement, along with other pre-completed new account forms Murillo sent to him, the customer did not understand margin and did not realize that Murillo was effecting trades on his account on margin. In addition, the complaint alleges that, owing to the customer's lack of investment knowledge and inability to decipher his monthly account statements, the customer was unaware that he had a margin balance and did not understand the risk of the margin exposure in his account. **(FINRA Case #2008014728701)**

Charles Edward Severt Jr. (CRD #2866408, Registered Representative, Dayton, Ohio) was named as a respondent in a FINRA complaint alleging that, while serving as a church treasurer, he took approximately $20,000 in funds from the church without that entity's authorization. The complaint alleges that Severt failed to respond to FINRA requests for information. **(FINRA Case #2010023062101)**

Steven Mark Spektor (CRD #4743058, Registered Representative, Las Vegas, Nevada) was named as a respondent in a FINRA complaint alleging that, while a member firm employed him as an independent contractor registered representative, he misappropriated $2,296.34 of insurance premiums paid by customers of the firm's affiliated insurance company; Spektor was also an insurance agent for the affiliate. The complaint alleges that Spektor failed to promptly deposit the customer insurance premiums into the affiliate's bank account and instead misappropriated the funds. The complaint also alleges that the affiliate performed a special internal audit of Spektor's handling of insurance customer premiums after receiving a complaint initiated on one of Spektor's insurance customers' behalf. The complaint further alleges that during the special audit, Spektor admitted in a signed statement to accepting premium payments from insurance customers and using the check proceeds and cash for his personal benefit. In addition, the complaint alleges that Spektor failed to respond to FINRA requests for information and testimony. **(FINRA Case #2009019225401)**

Firm Canceled for Failing to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

Sierra Equity Group LLC (CRD #36518)
Boca Raton, Florida
(December 30, 2010)

Firm Canceled for Failing to Pay Arbitration Fees Pursuant to FINRA Rule 9553

Westrock Advisors, Inc. (CRD #114338)
New York, New York
(December 30, 2010)
FINRA Arbitration Cases #09-06840 & #10-02565

Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Cutler Securities, Inc. (CRD #41230)
Delray Beach, Florida
(December 31, 2010)

Iron Capital Securities, LLC (CRD #147779)
San Francisco, California
(September 1, 2010 – December 13, 2010)

Iron Capital Securities, LLC (CRD #147779)
San Francisco, California
(October 7, 2010 – December 13, 2010)

Wallstreet*E Financial Services, Inc. (CRD #43896)
Coral Gables, Florida
(December 1, 2010)

Westrock Advisors, Inc. (CRD #114338)
New York, New York
(December 1, 2010)

Firm Suspended for Failure to Pay Annual Assessment Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

NWT Financial Group, LLC (CRD #140145)
Issaquah, Washington
(December 27, 2010)

Firm Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Prestige Financial Center, Inc. (CRD #30407)
New York, New York
(October 21, 2010 – December 7, 2010)
FINRA Arbitration Case #10-02967

Individuals Barred Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Rex Stanley Dunbar (CRD #815742)
Boise, Idaho
(December 3, 2010)
FINRA Case #2009018539201

Giuseppe Fuoti (CRD #2950111)
West Ellis, Wisconsin
(December 6, 2010)
FINRA Case #2009019408301

Denise Lynn Gizankis (CRD #5200022)
Jacksonville, Florida
(December 30, 2010)
FINRA Case #2010021840401

Jason Philip Hopper (CRD #5710427)
Englewood, Colorado
(December 27, 2010)
FINRA Case #2009019750901

Vincent Ardelle Littlefield (CRD #1485537)
Voorhees, New Jersey
(December 31, 2010)
FINRA Case #2009020910701

Christopher Anthony Longo (CRD #4667010)
Lakewood, Ohio
(December 3, 2010)
FINRA Case #2010022776601

David Norman Moore (CRD #4806611)
Columbus, Ohio
(December 3, 2010)
FINRA Case #2010021381101

Justin Robert Robinson (CRD #4422379)
Englewood, Colorado
(December 27, 2010)
FINRA Case #2009019325001

Marie Darlene Roy (CRD #4118410)
North Babylon, New York
(December 13, 2010)
FINRA Case #2009018269001

William Michael Sanders Jr. (CRD #4563710)
Aurora, Colorado
(December 6, 2010)
FINRA Case #2009020497901

Mayra Jovencia Soto (CRD #5378836)
Fresno, California
(December 6, 2010)
FINRA Case #2010021840201

Patrick James Sullivan (CRD #2264192)
Cumberland, Rhode Island
(December 27, 2010)
FINRA Case #2010022481901

Individuals Revoked for Failing to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

John Wilson Bendall Jr. (CRD #17841)
New York, New York
(July 9, 2010 – December 17, 2010)
FINRA Case #2008011764301

Edward Martin VanGrouw (CRD #1032559)
Fairlawn, New Jersey
(December 15, 2008 – December 1, 2010)
FINRA Case #E9B2003026301

Individual Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Michael David Zukowski (CRD #1922539)
Dennis, Massachusetts
(December 15, 2010 – December 23, 2010)
FINRA Arbitration Case #09-00952

Individuals Suspended Pursuant to FINRA Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Samarth Agrawal (CRD #5343999)
Newport, New Jersey
(December 27, 2010)
FINRA Case #2010022686401

Joseph C. Bergeron (CRD #5535698)
Shreveport, Louisiana
(December 3, 2010)
FINRA Case #2010023473001

Elijah J. Borrero (CRD #4526029)
New York, New York
(December 31, 2010)
FINRA Case #2009020237601

Robert Henry Caldwell Jr. (CRD #602899)
Lookout Mountain, Tennessee
(December 13, 2010)
FINRA Case #2009020155301

Bryan Duane Clark (CRD #5644685)
Yakima, Washington
(December 13, 2010)
FINRA Case #2009020821001

Aleksandr Yurievich Denisov (CRD #4586928)
Marina Del Rey, California
(December 17, 2010)
FINRA Case #2010023760401

Vincent Anthony Fasano (CRD #4999350)
Jacksonville, Florida
(December 3, 2010)
FINRA Case #2010021533901

Jacob M. A. Fowler (CRD #5775377)
Livonia, Michigan
(December 27, 2010)
FINRA Case #2010024166701

Rosemarie Haag (CRD #5177272)
Cape Coral, Florida
(December 3, 2010)
FINRA Case #2010022216701

Donnell J. Hanchey (CRD #5682238)
Zachary, Louisiana
(December 31, 2010)
FINRA Case #2010023152301

Sarah Rebecca Hill (CRD #5090367)
Abilene, Texas
(December 13, 2010)
FINRA Case #2009020006201

Mohamad A. Masri (CRD #5731475)
Pembroke Pines, Florida
(December 9, 2010)
FINRA Case #2009020835901

Monica S. Morales (CRD #5122552)
College Park, Georgia
(December 31, 2010)
FINRA Case #2010022540801

Stacey Beth Nussbaum (CRD #4638931)
New York, New York
(December 31, 2010)
FINRA Case #2009018236001

Bobby Jefferson Parks Jr. (CRD #3047923)
Blue Ridge, Georgia
(December 13, 2010)
FINRA Case #2009019372101

Michael Patrick Schaeffer (CRD #4559860)
Tallahassee, Florida
(December 13, 2010)
FINRA Case #2009020921701

Shenna M. Straling (CRD #5657114)
Queen Creek, Arizona
(December 6, 2010)
FINRA Case #2010021971901

Heather Katherine Tracy (CRD #5463745)
Katy, Texas
(December 31, 2010)
FINRA Case #2009020504201

Myra Trypathi (CRD #4734063)
San Jose, California
(December 3, 2010)
FINRA Case #2009017382701

Andrew Lindgren Wahtera (CRD #5076613)
Alexandria, Virginia
(December 27, 2010)
FINRA Case #2009020819501

Dennis Dale Young Jr. (CRD #4207074)
Sacramento, California
(December 3, 2010)
FINRA Case #2010022984601

Individuals Suspended for Failure to Comply with an Arbitration Award or Settlement Agreement Pursuant to FINRA Rule 9554

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Thomas Christopher Bridge (CRD #1908294)
Wilton Manors, Florida
(December 2, 2010)
FINRA Arbitration Case #09-02028

Wade Patrick Cook (CRD #2751203)
Santa Maria, California
(December 22, 2010)
FINRA Arbitration Case #09-06393

James Robert Day (CRD #4159571)
Torrance, California
(December 3, 2010)
FINRA Arbitration Case #10-01447

Ronald Michael George (CRD #1490197
Thonotosassa, Florida
(March 15, 2010 – December 9, 2010)
FINRA Arbitration Case #09-00094

Lloyd William Graham Jr. (CRD #600787)
Pasadena, California
(September 22, 2010 – December 16, 2010)
FINRA Arbitration Case #10-00956

Douglas Christopher Green (CRD #1713027)
Lighthouse Point, Florida
(December 3, 2010)
FINRA Arbitration Case #08-02336

Megan Jean Gutierrez (CRD #2950293)
Los Alamos, New Mexico
(December 2, 2010)
FINRA Arbitration Case #10-01058

Brent Jason Hawk (CRD #3195873)
York, Pennsylvania
(December 3, 2010)
FINRA Arbitration Case #10-01963

John Hsu (CRD #1190718)
Cupertino, California
(December 3, 2010)
FINRA Arbitration Case #08-02800

José Antonio Larrea (CRD #4541503)
Aventura, Florida
(December 22, 2010)
FINRA Arbitration Case #10-00076

Pamela M. Lonzo (CRD #722385)
Chicago, Illinois
(December 3, 2010)
FINRA Arbitration Case #10-02041

Ronald Moschetta (CRD #1100365)
Lido Beach, New York
(December 22, 2010)
FINRA Arbitration Case #09-01448

Shannon Michelle Ness-Jackson
CRD #5403445)
Cape Coral, Florida
(December 3, 2010)
FINRA Arbitration Case #10-02401

Ralph Roberts Schneider (CRD #1837062)
Okoboji, Iowa
(December 3, 2010)
FINRA Arbitration Case #09-05381

Ralph Stacey Schneider (CRD #1773355)
Arnolds, Iowa
(December 3, 2010)
FINRA Arbitration Case #09-05381

Thomas Brian Vertin (CRD #4309799)
Long Branch, New Jersey
(December 3, 2010)
FINRA Arbitration Case #10-01236

Kevin Antony Williams (CRD #2159172)
Riverside, California
(November 18, 2010 – December 9, 2010)
FINRA Arbitration Case #09-05650

FINRA Seeks Cease-and-Desist Order to Halt Ongoing Fraud and Misuse of Funds by Pinnacle Partners and its President Brian Alfaro

FINRA announced that it has filed a notice seeking a Temporary Cease and Desist Order (TCDO) against San Antonio-based brokerage Pinnacle Partners Financial Corporation and its President, Brian K. Alfaro. The TCDO would halt allegedly fraudulent and illegal sales activities at the firm relating to eight unregistered private placement offerings selling interests in oil and gas joint ventures. FINRA is seeking the order based on belief that customer harm and depletion of customer assets will likely continue before a formal disciplinary proceeding against Pinnacle and Alfaro can be completed.

In its related underlying complaint against Pinnacle Partners and Alfaro, FINRA alleges that from August 2008 to the present, Alfaro and Pinnacle have operated a "boiler room" in which numerous brokers place thousands of cold calls every week to solicit investments in Alfaro's oil and gas drilling joint ventures. The operators of the ventures are entities owned or controlled by Alfaro. Through the boiler room Alfaro and Pinnacle have raised more than $10 million from over 100 investors for offerings that are alleged to materially misrepresent or omit material facts. In addition, FINRA charges Alfaro with misusing customer funds by collecting funds from investors for drilling and testing of wells, and then spending those funds for unrelated business and personal expenses.

FINRA also charges that Pinnacle and Alfaro provided investors with investment summaries for eight separate oil and gas offerings that included numerous misrepresentations and omissions including grossly inflated natural gas prices, projected natural gas reserves, estimated gross returns and estimated monthly cash flows.

FINRA has also charged Pinnacle and Alfaro with the sale of unregistered securities; the destruction of documents and the maintenance of inaccurate books and records; and the failure to report numerous customer complaints.

Under FINRA rules, a hearing shall be conducted not later than 15 days after service of the notice and filing that initiates the temporary cease and desist proceeding, unless extended, and the Hearing Panel shall issue a decision not later than 10 days after receipt of the hearing transcript. If the temporary cease and desist order is granted, it will generally remain in effect until the underlying disciplinary action against the firm for this misconduct has been resolved. FINRA may seek to suspend or expel a firm for violating a TCDO.

FINRA Expels APS Financial, Bars Former President and Former Broker for Targeting an Elderly Investor with Fraudulently Excessive Mark-ups

Elderly Investor Was Overcharged $1.2 Million, Mark-Ups as High as 67 Percent

The Financial Industry Regulatory Authority (FINRA) announced that it has expelled APS Financial Corporation, located in Austin, Texas, barred the firm's former President, George Conwill, and barred Peter Aman, a former broker at the firm, in a scheme which overcharged an elderly investor by $1.2 million.

FINRA found that Aman charged mark-ups ranging from 4.15 percent to fraudulently excessive mark-ups as high as 67 percent when executing 45 transactions for customers of APS Financial. Forty-three of these excessive or fraudulent mark-ups were related to transactions for the accounts of a single elderly investor. Aman overcharged this elderly investor by more than $1.2 million through undisclosed mark-ups, including $767,000 in fraudulently excessive mark-ups.

FINRA also barred Conwill and expelled APS Financial for rule violations relating to trading in corporate high yield bonds, collateralized mortgage obligations and collateralized debt obligations. Both APS Financial and Conwill were cited for charging excessive mark-ups and supervision violations.

"FINRA is committed to ensuring that firms charge their customers reasonable fees in connection with the purchase and sale of fixed income and other debt securities. There is no room in the securities industry for those who prey upon elderly investors," said Thomas Gira, Executive Vice President of FINRA's Department of Market Regulation.

In total, APS Financial Corporation overcharged customers on 59 transactions. Conwill approved all 53 mark-ups above 5 percent, including 42 of the 43 excessive or fraudulent mark-ups for the elderly investor's accounts.

FINRA also determined that APS Financial Corporation failed to establish and maintain an adequate supervisory system and otherwise failed to reasonably and properly supervise the firm and its registered representatives so as to detect and prevent the mark-up violations. FINRA found that Conwill, as the firm's president at the time of the violations, failed to take reasonable steps to ensure that the firm established and maintained an adequate supervisory system, and failed to reasonably and properly supervise the firm's registered representatives.

APS Financial Corporation, Aman and Conwill settled these matters without admitting or denying the allegations, but consented to the entry of FINRA's findings.